

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

Paris, Wednesday, November 18, 1998

No. 35,991

Gore Opens APEC Rift With Praise of Reform

Malaysia Accuses U.S. of Inciting Lawlessness, But the Vice President Stands by His Remarks

By Michael Richardson
International Herald Tribune

KUALA LUMPUR — Malaysia accused the United States on Tuesday of inciting the overthrow of a "constitutionally elected" Malaysian government, as the escalating dispute among Asian and Pacific nations over how to handle human rights issues deepened divisions on the opening day of a key regional economic conference.

The Malaysian foreign minister, Abdullah Ahmad Badawi, delivered a scathing response to Vice President Al Gore of the United States, who on Monday endorsed a reform movement that is trying to remove the government of Prime Minister Mahathir bin Mohamad.

"Malaysia finds the incitement by the U.S. government to lawlessness by certain elements within the country to be unacceptable," he said.

Malaysia's charges are "not at all" justified, Washington says. Page 5.

use undemocratic means in order to overthrow a constitutionally elected government, most abhorrent," Mr. Abdullah said in a written statement.

"Malaysians do not take kindly to sanctimonious sermonizing from any foreign quarter, especially the United States, a country which is known to have committed gross violations of human rights."

Analysts said that Mr. Gore's remarks, in a speech to a business conference on the eve of the annual summit meeting of the Asia-Pacific Economic Cooperation forum, had opened a serious rift in the group and poisoned relations between the United States and Malaysia, which is chairing the summit meeting.

A number of countries normally close to the United States — including Japan, Australia, New Zealand and Singapore — distanced themselves from Wash-

ington's stand Tuesday, warning that the dispute could distract the group, known as APEC, from tackling the region's economic crisis.

"We for our part, are not engaging in megaphone diplomacy to raise our concern," said a Japanese government spokesman, Sadaaki Numata.

Prime Minister Jenny Shipley of New Zealand, whose country will be host of the 1999 APEC meeting in Auckland, noted that APEC was a forum that depended on cooperation among its 21 members to achieve results.

"Clearly there are some pressing bilateral issues that countries want to raise here in Malaysia," she said, "but it should not be at the expense of APEC."

Mr. Gore stuck to his guns Tuesday. "That is the American message," he said at a meeting with Prime Minister Yevgeny Primakov of Russia, "and I am proud to deliver it here and anywhere I go. Moving into the 21st century with a strong economy really requires democracy and self-government."

Not all APEC countries expressed reservations. "It was a very beautiful speech," said President Joseph Estrada of the Philippines, who met on Monday with Azizah Ismail, the wife of Anwar Ibrahim, in a gesture of sympathy for the ousted deputy prime minister.

A series of rallies by supporters of Mr. Anwar continued Tuesday as several hundred people gathered at a mosque shouting "Reform!" — the cry of reform that Mr. Gore saluted in his speech on Monday.

In his address, Mr. Gore honored the "brave people" of Malaysia who were demanding political reform — an obvious reference to the opposition movement backed by supporters of Mr. Anwar. He also said that democracy was the best way for Asia to recover from its economic crisis. The White House said

See GORE, Page 5



The U.S. vice president, Al Gore, right, walking with President Joseph Estrada of the Philippines and Hong Kong's chief executive, Tung Chee-hwa, after a group photo of APEC leaders Tuesday.

Saddam Vulnerable, Blair Says

Britain Has Evidence of Growing Opposition in Iraq

By Warren Hoge
New York Times Service

LONDON — Prime Minister Tony Blair said Tuesday that Britain had evidence of growing opposition to President Saddam Hussein inside Iraq that he believed gave the Clinton administration's new objective of seeking his overthrow a better chance of success than in the past.

In an interview in his 10 Downing Street office, Mr. Blair said, "I don't want to go into the detail of that too much because that is obviously something we should discuss with the Americans, and we are not issuing promises here that we can't keep."

But there is a buildup of concern within Iraq over the incredible damage he is doing to his own country," Mr. Blair said. "Now he may try to explain what has happened over the weekend, as he

always does and even did at the end of the Gulf War, as a wonderful victory, but our assessment is that the claims against him are only increasing."

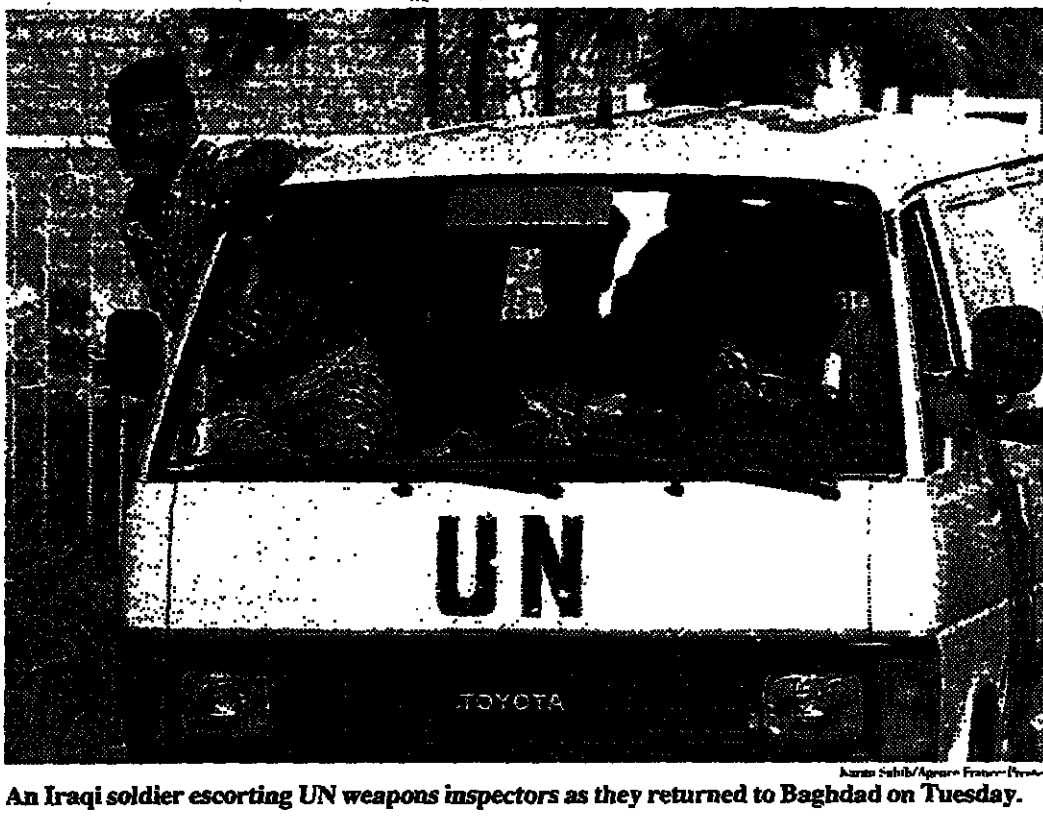
Since 1991, the Central Intelligence Agency has come up with at least six plans to undermine the Iraqi leader, but they have fallen victim to quarrels

Iraqi press denounces UN inspectors. Page 9.

among the exile groups or been crushed by Mr. Saddam's Republican Guards. British security services have assisted propaganda campaigns by organizations like the Iraqi National Congress, a coalition of a dozen groups based in London.

On Monday, Mr. Blair told the House of Com-

See IRAQ, Page 9



An Iraqi soldier escorting UN weapons inspectors as they returned to Baghdad on Tuesday.

Kurdish Rebel in Italy: A Headache for D'Alema

First Foreign Policy Test for Prime Minister

By Alessandra Stanley
New York Times Service

ROME — Facing his first real foreign policy test, Prime Minister Massimo D'Alema must decide what to do with a prominent Kurdish rebel leader who was arrested last week at the Rome airport.

Turkey wants Italy to extradite the rebel, Abdullah Ocalan, leader of the Kurdistan Workers Party, which is seeking Kurdish autonomy in southeastern Turkey. He is viewed in Turkey as a terrorist. Germany also has a warrant out for his arrest on homicide charges.

But Mr. D'Alema, a former Communist who was appointed prime minister last month, is under pressure from leftists in his coalition to offer Mr. Ocalan political asylum.

Mr. D'Alema told Parliament on Tuesday that Italy would not grant political asylum to Mr. Ocalan unless it is convinced that he has truly renounced terrorism.

"I consider this a minimum for our country to be able to process an asylum request," Mr. D'Alema told the lower house.

"Our country doesn't intend to be a host for terrorist activities," he said. Earlier, he noted that Italian law prohibits extradition of suspects to countries that have the death penalty. Turkey has capital punishment, although it says it will soon abolish it. Mr. Ocalan is being held in absentia there on charges that could bring the death penalty.

Mr. D'Alema said a committee of the Interior Ministry would determine whether Mr. Ocalan would qualify for political asylum, which would be possible if Mr. Ocalan's promise to renounce terrorism holds up.

"We do not want someone who organizes terrorism in Italy," Mr. D'Alema said. "This is an opportunity to find an exit from a bloody conflict."

More than 29,000 people have died in the fighting between Kurds and Turkish troops in the last 14 years.

Earlier Monday, while members of

Mr. D'Alema's government met with Turkish officials who were in Rome for a European ministerial meeting, thousands of Kurds flooded into Rome to hold a demonstration and hunger strike in support of Mr. Ocalan.

Mr. D'Alema's decision was further complicated on Sunday when Turkish inmates in a prison in Istanbul took an Italian prisoner hostage, saying they would release him only after Italy extradited Mr. Ocalan.

For now, Mr. Ocalan is being held in an undisclosed Italian hospital in the outskirts of Rome. Given Italian law, extradition is out of the question for now.

But Turkey is so eager to get hold of Mr. Ocalan, who has led the country's most wanted list for more than a decade, that Turkey's justice minister, Hasim

See ITALY, Page 9

Euro Could Dethrone the Dollar in Asia

By Philip Segal
International Herald Tribune

HONG KONG — Although the economies of Asia remain shell-shocked, Asian countries still hold hundreds of billions of dollars in cash and could play a key role in determining the success of next year's major economic event, the creation of Europe's single currency, the euro, Jan. 1.

Europe's money also promises to play a much greater role in Asian finance.

While Indonesia, South Korea and Thailand have had to resort to International Monetary Fund bailouts, Asia

remains the world's dominant lender, with well over \$500 billion in foreign-currency reserves, most of them in U.S. dollars.

Japan, China, Hong Kong, Taiwan and other economies in Southeast Asia are financing America's continuous and growing current-account deficits.

That means Asia buys a lot of American bonds, but that could change. Asia holds a combined 40.5 percent of the world's foreign-currency reserves, and it is the possible movement of some of those reserves from dollars to euros next year that could have the biggest individual effect on how strong the euro turns

out to be, analysts said. "The decision by Asian central banks is crucial — it's key," said Lorenzo Codogno, economist at the Bank of America in London.

The United States has a 21 percent share of the world's economy. But the U.S. dollar made up 56.4 percent of international reserves at the end of last year, according to the IMF. Reserves in European currencies — including four that will not convert to the euro on Jan. 1 — made up just 26 percent, even though Europe's contribution to the world economy is about equal to America's.

See EURO, Page 19

The Dollar			
New York	Tuesday @ 4 P.M.	previous close	
DM	1.6698	1.6683	
Yen	120.95	120.31	
FF	5.5981	5.5935	
Pound	1.6768	1.6768	
Dollars per pound			
The Dow			
	Tuesday close	percent change	
	24,97	8,986.28	-0.28%
S&P 500			
	1,139.32		+0.30%
Nasdaq			
	1,678.59		+0.91%

Fed Eases Rates, Saying 'Unusual' Strains Remain In U.S. Economy

Quarter-Point Cut, the Third In 2 Months, Comes Amid Signs Of Both Health and Uncertainty

By John M. Berry
Washington Post Service

WASHINGTON — The Federal Reserve Board, citing continuing problems in financial markets, reduced short-term U.S. interest rates Tuesday by a quarter of a percentage point, its third round of cuts in less than two months.

However, in announcing the latest reduction, the central bank also signaled that further reductions were unlikely in response to the problems in financial markets that emerged in mid-August after the Russian government defaulted on a portion of its debt.

"Although conditions in financial markets have settled down materially since mid-October, unusual strains remain," the Fed said. It said that with the federal funds rate, the interest rate that financial institutions charge each other on overnight loans, now at 4.75 percent, down from 5.5 percent in September, "financial conditions can reasonably be expected to be consistent with fostering sustained economic expansion while keeping inflationary pressures subdued."

The Fed's top policy-making group, the Federal Open Market Committee, also said it was reducing the discount rate to 4.5 percent from 4.75 percent. The discount rate is the rate financial institutions pay when they borrow directly from a regional Federal Reserve bank.

The Fed got leeway to cut rates Tuesday with a report that the consumer price index rose only 0.2 percent in October after staying unchanged in September. That indicates that inflation remains at bay.

Still, before it moved Tuesday, some economists believed the Fed would refrain from further cuts because of signs that the U.S. economy continued to chug ahead despite turmoil overseas. But some Fed officials apparently worried that if they had not cut rates again, a sharper slowdown could be on the way.

Indeed, as Federal Reserve officials met Tuesday they were confronted with unusual crosscurrents of strength and weakness swirling through the U.S. economy.

On the side of strength, the Commerce Department reported Friday that retail sales rose strongly last month

See RATES, Page 14

Bumpy Ride Aside, The Small Investor Keeps the Faith

By Iamthe Jeanne Dugan
Washington Post Service

NEW YORK — In six months last year, James Marzolf earned more from the U.S. stock market than from his \$56,000-a-year job as a United Parcel Service truck driver. But in just four weeks in September, he lost two-thirds of his \$300,000 portfolio, causing banks to call in loans and straining his marriage.

But will he abandon the market? Never, he says. "I've seen what it can do," said Mr. Marzolf of Rowlett, Texas, who stops at a friend's house each day during his lunch break to surf the Internet for clues to the route back to prosperity. "I still believe that in two or three years, maybe I'll make enough in the stock market that I won't have to drive for UPS anymore."

Such tempered perseverance is sweeping America, drawing bruised investors back into the market. Since what was for many a first brush with a big market decline late this summer, U.S. investors have become more skeptical, selective and apprehensive — but wedded to Wall Street all the same.

"Individuals," said David Tests, chief investment strategist for T. Rowe Price Associates Inc., "are cautiously coming back from the darkness, blinking into the light. They have not found satisfying alternatives to the stock market."

The technology-heavy Nasdaq composite index has risen nearly 30 percent in the past six weeks. Small stocks measured by the Russell 2000 index have gained about 8 percent. The Standard & Poor's index of 500 companies has gained about 10 percent — in line with publicly traded companies overall, according to Wilshire Associates Inc., which tracks 5,000 public corporations.

"The turnaround has been mind-boggling," said Philip Schettini, chief portfolio strategist at Loomis Sayles & Co. "Just six weeks ago it looked like the world was coming to an end."

In October, the average stock was

See MARKET, Page 19

Starr Prolongs the Drama on Inquiries

Counsel's Final Report May Not Be Finished Until Clinton's Term Ends

By Stephen Labaton
New York Times Service

WASHINGTON — The new indictment of Webster Hubbell, the longtime friend of the Clintons, means that Kenneth Starr will almost certainly remain in business as independent counsel through the last months of President Bill Clinton's term, and that a final report may not be made public until after Mr. Clinton leaves the White House, according to lawyers involved in the inquiry.

Before last week, the widespread im-

pression was that Mr. Starr was winding down his four-year inquiry. But the prosecution Friday of Mr. Hubbell for Whitewater-related matters raises new

White House is offered a half-hour to question Kenneth Starr. Page 3

issues that could result in months of legal pretrial wrangling, a long trial and possible appeals.

Charles Bakaly 3d, Mr. Starr's spokesman, said Monday that it would be impossible to say when a final report

would be completed and that it cannot be filed with the special court that oversees independent counsels until the conclusion of the Hubbell cases and other court action.

"We cannot predict when it will end," Mr. Bakaly said. "Once matters are filed and go into the judicial arena, the timing is outside of the control of the prosecutor."

[Mr. Starr sent investigators in the House of Representatives four boxes of evidence Tuesday related to Mr. Hub-

See STARR, Page 4

AGENDA

Appeal Rejected, Priebke Is Jailed in Italy

ROME (Reuters) — A former SS captain, Erich Priebke, was jailed on Tuesday after Italy's highest court rejected his appeal against a life sentence for taking part in the country's worst World War II atrocity.

Mr. Priebke, 85, was sentenced to life in prison in March by an Italian military court for having taken part in the 1944 massacre of 335 men and boys at the Ardeatine Caves near Rome.

The sentence was suspended pending an appeal. Mr. Priebke was kept under house arrest at the Rome home of his lawyer until his transfer on Tuesday to the Forte Boccea military prison, on the outskirts of the capital.

Books... Page 4.
Crossword... Page 12.
Opinion... Pages 10-11.
Sports... Pages 24-25.
The Internet... Pages 11, 18.
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SPECIAL REPORT Pages 20-21.
The Pharmaceuticals Industry

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Zurich	1.250 JD	U.A.E.	10.00 Dh
Kuwait	700 Fils	U.S. MK (Est.)	\$1.20



Not an Ideologue Like Gingrich/ Livingston Known as a Pragmatist

The Next Speaker Has a Bipartisan Voice

By Richard L. Berke
and Rick Lyman
New York Times Service

WASHINGTON — Hours after his swift emergence last week as the presumptive new speaker of the House, Representative Bob Livingston telephoned an old friend, former Representative Jimmy Hayes, for advice. He did not ask Mr. Hayes how best to keep his Republican flock in line or for counsel on issues. Instead, he quizzed his fellow Louisiana Republican about how he could best build a relationship with Representative Dick Gephardt, the Democratic leader.

"He said, 'Tell me about Dick Gephardt the person,'" recalled Mr. Hayes, a one-time Democrat who is close to both men. "I want to know more about this guy."

Livingston was saying, "I know he listens great. I want him to talk more."

That Mr. Livingston wants to talk to all to Mr. Gephardt, who hungers for his job, underscores the bipartisan, accommodationist approach of the new leader, who will be elected on Wednesday by the Republican caucus in the House as the new speaker. The man Mr. Livingston will replace, Newt Gingrich, considered Mr. Gephardt so irrelevant that he rarely spoke to him.

Mr. Gingrich and Mr. Livingston, both Tulane graduates, are vastly different. While Mr. Livingston built his career as a rebel, Mr. Livingston, who will become the third-ranking official in the U.S. government when he is officially elected speaker by the full House in January, has always reached across the aisle. Both are conservatives, but Mr. Gingrich is ideological and Mr. Livingston is pragmatic. While Mr. Gingrich has called himself "a transformational leader," Mr. Livingston is not known for his vision, intellect or ego, and until he was elevated as chairman of the Appropriations Committee, was not considered a heavyweight in Washington or back home.

"I'll be there as a lot of people in New Orleans, still, who wouldn't even recognize him if you showed them Livingston's picture," said Ed Renwick, who heads the Institute of Politics at Loyola University.

In an era in which speakers have been defined by belligerent partisanship — particularly Mr. Gingrich and the Democrat he hounded from office, Jim Wright — Mr. Livingston represents an older strain of conservatism.

While Mr. Wright and Mr. Gingrich were tainted by scandal, Mr. Livingston has not been. And while Mr. Gingrich had long predicted greatness for himself, and plotted for years to become speaker, there are no such stories about Mr. Livingston. "I don't think I ever entered his head," said Fred Carroll, an investment banker and a friend for more than 40 years.

MR. LIVINGSTON is perhaps best known on Capitol Hill for his incendiary outbursts on the House floor and in private meetings (he cools down quickly).

"He has a huge temper," said Representative W. J. Tauzin, another Louisiana Republican. "He's going to have to learn to use it and control it."

The incoming speaker has a gift for timing, a relentless and plodding nature and a gangly, even awkward demeanor that has led many to under-



Bob Livingston "has been there at the right time, time after time," according to a friend.

estimate him. Even his best friends say they never considered him likely to become one of the most powerful men in the nation.

"This is a guy who has been there at the right time, time after time, and he's always taken advantage of it," said John Bolles, a close friend for four decades. "This is not a terribly complicated guy. This is not a guy with a lot of hidden agendas. He's got a good, healthy ego, but no delusions of grandeur."

Mr. Livingston, 55, who has represented Louisiana's relatively affluent 1st District since 1977, pursues what he wants with the same single-mindedness that he brings to his hobbies: playing the harmonica, doing impersonations and becoming a black belt in Tae Kwan Do.

"When he got that black belt, in the first minute of the test he broke his big toe on a board but he just kept right on going," said Quin Hillyer, an editorial writer at The Mobile (Alabama) Register, who was the congressman's press secretary. "You know how painful that is? He's tough. He's got a very strong will."

Mr. Livingston has carried that strong will to Congress. He was appalled when the Federal Election Commission conducted a random audit of his first successful campaign. Ever since, he has cru-

saded against the agency, slashing staff members and starting investigations. With similar zeal, Mr. Livingston recently sought the speakership. Earlier this year, he announced that he would seek the post whenever Mr. Gingrich stepped aside. But after the Republicans' net loss of five House seats on Nov. 3, Mr. Livingston turned on the man who had been his mentor.

"He's going to meet with us more often and talk about process," Mr. Gephardt said of his new sparring partner.

But the Democratic leader, in perhaps an unintended compliment to Mr. Gingrich, said: "Newt's great strengths were that he had both a vision and an ideology and a set of issues and thinking that he could express, at least to some people, in a compelling way — and that's important in a leader. You have to be able to express ideas. And I don't know whether Bob can do that or not."

Robert Livingston Livingston was born in Colorado Springs, where his mother's family lived. Eventually, the family settled in New Orleans, where his father took a job with National Distillers. The job did not last long, and neither did the marriage.

In 1951, when Robert "It wasn't until he became a politician that he became Bob," Mr. Carroll said) was 7 years old, his father walked out on the family.

"He turned out to be an alcoholic," said Mr. Livingston's mother, Dorothy Billet, who stayed in New Orleans, got a divorce and a job at the Avondale Shipyards. She remarried after her son and daughter grew up.

Mr. Billet later learned that her first husband had settled in Spain and died at 55. "Of course, Robert was very upset by his father going away like that," she said.

FRIENDS, THOUGH, said the young man rarely mentioned it. "I'm sure it had a negative impact," Mr. Bolles said. "But he never talked about it."

Mrs. Billet settled Robert and his younger sister into a modest home in the Uptown neighborhood in New Orleans, a couple of blocks from Tulane University. One important effect of the departure of Robert's father was that the family was always strapped. Young Robert helped out financially. At 14, he worked cleaning up after elephants at the New Orleans Zoo. For several summers, he earned college money at the Avondale Shipyards, ending up as a welder's assistant.

After Mr. Livingston, like many of his Uptown friends, settled on Tulane, his life nearly came unstuck. "What happened is that he went to college and got in with a group of guys who liked to party, including me," Mr. Bolles said.

After only one year at Tulane, Mr. Livingston was asked in 1961 to take a sabbatical from the university. Mr. Bolles said, explaining that school authorities complained that he and his friends partied too much.

Mr. Livingston joined the navy, serving for two years, and returned from his military tour a subtly changed man. "The navy straightened him out," Mr. Bolles said. "He kept on partying with us, but he was more able to handle the partying and the classes together. He had more confidence, was more focused."

He began to talk about law school. Mr. Livingston also met and married Bonnie Robichaux, a Louisiana State University student. They have three sons and a daughter.

U.S. Adds \$100 Million In Aid for Mitch Victims

By John Ward Anderson
Washington Post Service

TEGUCIGALPA, Honduras — At the start of a visit to Central America, the U.S. first lady, Hillary Rodham Clinton, has announced more than \$100 million in new food aid, debt relief and other disaster assistance for the countries most ravaged this month by the hurricane designated Mitch.

The assistance includes 16 helicopters, 11 water purification systems, a field hospital, road-building equipment, bridges, \$51 million in food aid and a 4,300-person increase in military personnel to help with logistics and relief programs in Honduras, Nicaragua, El Salvador and Guatemala. The new aid raises U.S. relief following the hurricane to about \$250 million.

About 10,000 people were killed, most by flooding and mud slides caused as Mitch cut across Central America as a tropical storm early this month. Before that, it sat off the coast of Honduras for several days as one of the biggest Caribbean hurricanes in decades.

The storm destroyed tens of thousands of homes, wiped out water, road and electrical systems, ruined crops and threw thousands of the hemisphere's poorest laborers out of work. As many as 2 million people are homeless.

A high-ranking U.S. official traveling with the first lady agreed that "we are still a long way from meeting the emergency needs and even further distant

from the long-term reconstruction requirements here and in Nicaragua," despite "the major new commitment" announced by Mrs. Clinton on Monday.

She had long planned a trip to El Salvador and Guatemala, but after Mitch struck she added brief stops in Honduras and Nicaragua as well. After meeting at the airport for half an hour with President Carlos Flores Facusse of Honduras, Mrs. Clinton spoke to an assembly of embassy and relief workers for about five minutes before leaving for Nicaragua.

In other areas, she said that the United States would "provide debt relief of up to \$54 million for Nicaragua and Honduras" by allowing them to suspend bilateral debt payments for the next two years. She said the United States was working with other international donors to permit the two countries to suspend all debt payments during the same period.

International Meeting Planned

The United States will convene an international conference Dec. 9 to lay out priorities for long-term rebuilding, Brian Atwood, head of the Agency for International Development, said Monday. The Associated Press reported.

Support was also pledged by President Jacques Chirac of France, who visited Guatemala, Honduras, Nicaragua and El Salvador.

Mr. Chirac said France would forgive the four countries' debts to help them recover from Mitch. The total debt for the four countries was \$134 million.

Cracks Found on New Valves In Rudders of Boeing 737s

New York Times Service

WASHINGTON — After two Boeing 737s crashed in a way that suggested rudder malfunctions, the U.S. Federal Aviation Administration ordered the replacement of rudder-control valves in all 737s. Now, cracks have been found in several replacement valves that have not even been installed.

Since the order, in January 1997, the new part has been installed on 1,000 planes, with up to 2,000 more due in the next few months. A spokesman for the aviation agency said Monday that it was still evaluating whether to inspect those 1,000 planes.

The part in question is a hydraulic valve that controls the rudder, which investigators suspect caused the crash of a 737 flown by USAir, near US Airways, near Pittsburgh in September 1994, and a 737 flown by United Airlines near Colorado Springs in March 1991. No official cause for the crashes, which killed 157 passengers and crew members, has been established.

Vice President Al Gore announced

in January 1997 that the aviation administration would require replacement of the valves in all 737s.

Boeing and its supplier, Parker Hannifin Corp., of Cleveland, then changed the material and the manufacturing process for one part of the valve and said they would supply the replacement valves for free, though airlines would have to pay to install them.

In September, cracks were found in nine valves in the inventory at a Parker Hannifin factory. The discovery was first reported by The St. Petersburg (Florida) Times on Saturday.

The cracks are in a forefinger, that slides back and forth inside a valve the size of a soft drink can. The piece of metal was redesigned because engineers working in a laboratory to determine the reason for the Pittsburgh crash have found that sometimes that part "broke a second time, broke."

In some cases that makes the plane's rudder swing in the direction opposite the one commanded by the pilot.

Correction

A Page 1 report in last Thursday's editions on the 80th anniversary of the end of World War I incorrectly stated the name of the king of the Belgians, who attended Armistice ceremonies with Queen Elizabeth II. It should have said Albert II.

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JAPAN	20,000	12,150	39%
MALAYSIA	105	45	57%
NETHERLANDS	208	105	49%
NORWAY	208	105	49%
SPAIN	161	85	47%
SWEDEN	11,200	5,550	50%
SWITZERLAND	166	85	48%
USA	75	30	60%

FOR OTHER COUNTRIES, PLEASE CONTACT YOUR NEAREST OFFICE

Air France Is Hobbled

PARIS (AP) — Air France flights were severely disrupted Tuesday as flight attendants began a two-day strike to protest a two-tier salary system. The airline is guaranteeing 55 percent of long-distance flights and 60 percent of short and medium-distance flights.

TWA Offers Low Fares

ST. LOUIS, Missouri (Reuters) — Trans World Airlines Inc. cut fares

TRAVEL UPDATE

Tuesday on hundreds of domestic and international flights to selected cities in the United States, Europe and the Caribbean, and to Cairo.

Round-trip fare between New York and San Francisco is \$298 instead of \$562, and New York-Cairo \$780 instead of \$1,200. Caribbean and U.S. fares must be purchased by Nov. 20, those to Europe by Dec. 1, and to Cairo by Dec. 17. Travel must be completed with specified dates and other restrictions apply.

The ceiling on traffic at Amsterdam

WEATHER

Europe Forecast for Thursday through Saturday, as provided by AccuWeather.

Country	Today	High	Low	Tomorrow	High	Low	Day After	High	Low
Algeria	21/10	11/5	5/0	18/4	11/5	5/0	18/4	11/5	5/0
Amsterdam	12/8	12/8	5/0	12/8	12/8	5/0	12/8	12/8	5/0
Antwerp	12/8	12/8	5/0	12/8	12/8	5/0	12/8	12/8	5/0
Athens	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Batavia	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Bombay	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Buenos Aires	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Calcutta	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Chennai	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Colombo	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Concepcion	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Copenhagen	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Dakar	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Dhaka	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Durham	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Edinburgh	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Geneva	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Helsinki	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Hong Kong	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
London	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Los Angeles	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Madrid	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Mumbai	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Manila	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Medan	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Montevideo	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Moscow	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Myanmar	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Nairobi	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Osaka	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Paris	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Perth	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Port of Spain	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Reykjavik	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Rio de Janeiro	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Singapore	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Sofia	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Taipei	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Tokyo	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Ulaanbaatar	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0
Yokohama	16/8	16/8	5/0	16/8	16/8	5/0	16/8	16/8	5/0

Legend: s=sunny, p=partly cloudy, c=cloudy, sh=showers, H=hurricane, T=tornado, S=snow, W=wind.

Asia

Forecast for Thursday through Saturday, as provided by AccuWeather.

A strike at the Musée d'Orsay in Paris went into its second week, shutting visitors out of an popular exhibition of paintings by Vincent Van Gogh and his mentor Jean-François Millet. (*Reuters*)

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THE AMERICAS

STARR: Delay on Final Report

Continued from Page 1

bell, House sources told Reuters. The additional evidence, sent to Congress in identical four-box sets for Republican and Democratic investigators, did not include any allegation by Mr. Starr that it contained potential impeachable offenses.

The timing for the cases raises the prospect of an independent counsel who has spent years investigating conduct that has its origins in events that occurred long before Mr. Clinton arrived in Washington, and whose conclusions will not be known until after the president leaves office — and after the expiration of the independent counsel law itself.

It would also permit Mr. Starr, if he so chose, to follow the path that is being pushed by some Republicans, like Senator Arlen Specter of Pennsylvania, who have suggested that even if Mr. Clinton is not impeached, the president could still be prosecuted after leaving office in 2001.

Mr. Starr and his staff have never said whether it would be appropriate to bring charges against the president after his term ends.

Although some details of the Whitewater findings by Mr. Starr have been made public over the years in trials and other court appearances and papers, his conclusions about the role of the Clintons and top officials in many aspects of the investigation remain unknown.

Mr. Starr is expected to provide some further details about his inquiry when he appears Thursday before the House Judiciary Committee, but federal rules will sharply limit what he can tell the lawmakers about much of the evidence provided to grand juries.

There are no such limitations about what he writes in a final report.

The sense that Mr. Starr was approaching the end of his work came in part from the independent prosecutor himself. In his impeachment report involving Monica Lewinsky, Mr. Starr told Congress that "all phases of the investigation are now nearing completion."

His office, Mr. Starr said, "will soon make final decisions about what steps to take, if any, with respect to the other information it has gathered."

Mr. Starr had completed his use of grand juries in Arkansas. And he had shown no signs of bringing any prosecutions arising from his investigations of the dismissal of the White House travel office or the improper compilation of hundreds of FBI files by the Clinton administration.

In court proceedings, Mr. Starr's moves did not appear likely to open vast new areas of inquiry.

He had filed a routine appeal of his defeat in the criminal tax case he had brought against Mr. Hubbell. And he had obtained a new indictment against Susan McDougal, one of the Clintons' Whitewater partners, on criminal contempt charges although there was no expectation that she would reverse her years of refusing to answer grand jurors' questions. That case is expected to be tried soon.

But the newest criminal indictment against Mr. Hubbell brings the sprawling inquiry back to its Whitewater roots and refers in considerable detail to the role of Hillary Rodham Clinton, one of Mr. Hubbell's partners in the Rose



Kenneth Starr getting into his car Tuesday in McLean, Virginia. Mr. Starr is expected to testify Thursday at a House Judiciary Committee impeachment hearing.

Law Firm, in a fraudulent land deal. It may require Mrs. Clinton's appearance in the witness box. And it will take until at least the end of next year before the case can be concluded.

"There is no doubt from all of our experiences that it takes a year or more to bring a

criminal case," said John Bates, a former deputy to Mr. Starr who is now in private practice. And, he and others said, it could take at least six months for the federal court that oversees the independent counsel to sort out the legal issues that surround the public release of a final report.

High School Shooting Spree Averted?

Washington Post Service

BURLINGTON, Wisconsin — Even in this pleasant, out-of-the-way town, the alleged plot seemed disturbingly familiar. Five teenage boys with axes to grind had hatched a hit list and decided to settle their grievances with gunfire. Had things gone according to plan, the police here say, the boys would have turned the local high school into a killing field Monday, taking school administrators hostage and marching from one classroom to another shooting teachers and classmates.

The police were tipped off over the weekend and quickly moved in, arresting three of the teenagers. The scheme that the police say the boys discussed was hauntingly similar to what has happened in schools in other small American towns in recent months.

Children have opened fire at school in six incidents during the last school year, killing 12 students and 2 teachers and raising anguished questions about what could be done to prevent such violence. Since then, school administrators have tried to refashion security policies

and educate students and parents about the importance of taking threats seriously.

The Burlington school superintendent, Ron Jandura, said security policies here had been tightened and officials were feeling not just relief that tragedy was averted, but also reassurance that "what we have been trying to do for the last several years worked."

The suspects, freshmen and sophomores at Burlington High School, were described by classmates as outcasts whose homemade tattoos, spike bracelets and punk wardrobes did not fit in with the Nike-and-jeans mainstream.

The police did not uncover any weapons. But they said statements provided by the boys to detectives Sunday convinced the police that they intended to carry out their plan.

Authorities here have filed criminal complaints against five boys, although only three are in custody. A juvenile judge, assessing the complaints, is scheduled to decide Wednesday whether to charge any of the boys, who were not identified, with the felony of conspiracy to commit murder.

BOOKS

AN AMERICAN CENTURY

By Harold Evans. 720 pages. \$50. Knopf

Reviewed by James T. Patterson

HAROLD EVANS, the journalist and publisher, first went to the United States from Britain in 1958, and since 1984 he has lived and worked in New York. "An American Century" offers his reflections on the 100 years between 1889, the centennial of the start of the Republic, and the collapse of the Soviet Union in 1989.

Hoping to reach a wide readership, Evans explains that he has tried to write an "accessible popular political history." Photographs, illustrations, biographies and brief narrative sections combine to create what he calls self-contained "modular units." The casual reader, he adds, "can dip into any spread of pages and absorb what he or she chooses without having to begin at the beginning, history for browsers."

He has indeed produced an accessible history. Evans writes engagingly and has an excellent ear for apt anecdotes and quotations. Most of his biographical essays — which feature all the presidents from Benjamin Harrison through Ronald Reagan, as well as many other figures — are gems of description.

Like Arthur Schlesinger Jr., whom he cites frequently, Evans celebrates the many great things — notably in the realm of foreign policy during the Cold War, and in the realm of civil rights in the 1960s — that Americans have accomplished during this century. Yet Evans, a liberal, also wishes that Americans had more often lived up to their ideals of equality and justice for all. Thus he opens his account by deploring the exploitation and violence that nearly destroyed American Indian culture in the late 19th century. His second chapter, which praises the populists of the 1890s, employs the sub-headline "Money Shouts," followed by a commentary on social Darwinism labeled "Survival of the Fittest."

In the same vein, Evans regularly laments the defeats of reformers, such as Eugene Debs, who struggled to promote equality. Many of Evans's vivid short essays — on the Homestead Strike of 1892, the Pullman strike of 1894, the Scottsboro Boys case, the murders of Emmett Till and of Medgar Evers — remind us that poor people and minorities suffered grievous injustices during the "American Century."

In places, Evans is uncritical in his praise of liberal politics. Writing about FDR's New Deal programs, he credits the Agricultural Adjustment Administration with helping to raise farm prices but does not mention that it also accelerated the dispossession of tenant farmers. The New Deal, he added, dealt a "death blow" to the old-style, patronage-based urban political machines. That will surely surprise people who remember the Daley machine in Chicago. Dealing with LBJ's Great Society reforms, Evans exaggerates in stating that the president "nearly wiped out elderly poverty at a stroke."

He then implies that the Great Society, by aiding people in the inner cities, helped to stop the urban riots of the 1960s. Very few historians would accept such an argument.

When Evans takes the time to explore a major historical question in some depth, he can be a shrewd and able guide. An extended commentary on America's acquisition of overseas possessions in 1898 sifts thoughtfully through contentious historical interpretations and concludes that "moralizing, not (economic) greed, was the most real thing about Amer-

ican foreign policy in 1898." The United States, he says, acquired an "Accidental Empire." But in trying to cover so much, Evans often stops short of serious analysis. We read about Rosie the Riveter but are not told whether she was typical of women workers during World War II or whether the war should be regarded as a key force in driving subsequent increases in female employment.

There are also regrettable omissions in a book that focuses on reformers, politics and foreign policies. The pros and cons of New Deal programs such as the Works Progress Administration and the National Labor Relations Board are scarcely mentioned. There are only scattered, cursory references to the role of the New Left in the 1960s. After praising the Supreme Court for rendering Brown v. Board of Education (1954), Evans ignores the many other decisions that placed the Warren Court in the cockpit of political controversy and divide us still.

In piecing together his book, Evans generously credits his research assistants. Alas, he and they are a bit unlucky to have me as a reviewer. Evans identifies me as a "sociologist" (not so bad but inaccurate), misrepresents what I said in a book about poverty over time, and lists me as the author of a volume that I did not write.

Still, I enjoyed Evans's lively, intelligently argued book and lingered over the wonderful photographs. It will grace my coffee table.

James T. Patterson, author of "Grand Expectations: The United States, 1945-1974," wrote this for The Washington Post.

BEST SELLERS

The New York Times		Los Angeles Times	
Fiction		Fiction	
1 THE PATH OF THE WARRIOR by Robert Bly	1	1 THE PATH OF THE WARRIOR by Robert Bly	1
2 THE VAMPIRE ARCADE by Anne Rice	2	2 THE VAMPIRE ARCADE by Anne Rice	2
3 BAG OF MONIES by Stephen King	3	3 BAG OF MONIES by Stephen King	3
4 ALL THROUGH THE NIGHT by Mary Higgins Clark	4	4 ALL THROUGH THE NIGHT by Mary Higgins Clark	4
5 THE PUNISHMENT BIBLE by Barbara Kingsolver	5	5 THE PUNISHMENT BIBLE by Barbara Kingsolver	5
6 WHEN THE BIRD SINGS by John Updike	6	6 WHEN THE BIRD SINGS by John Updike	6
7 THE HUNTER by J. D. Salinger	7	7 THE HUNTER by J. D. Salinger	7
8 EYES ON ME by John Grisham	8	8 EYES ON ME by John Grisham	8
9 WELCOME TO THE WORLD BABY CINCINNATI by Fannie Flagg	9	9 WELCOME TO THE WORLD BABY CINCINNATI by Fannie Flagg	9
10 MENHART by Arthur Golden	10	10 MENHART by Arthur Golden	10
11 THE HUNDRED DAYS by Patrick O'Brian	11	11 THE HUNDRED DAYS by Patrick O'Brian	11
12 THE LAMP by Nicholas Evans	12	12 THE LAMP by Nicholas Evans	12
13 THE PRESENT by Richard Brautigan	13	13 THE PRESENT by Richard Brautigan	13
14 THE LUCKY by Richard Brautigan	14	14 THE LUCKY by Richard Brautigan	14
15 TODAY I FEEL SILLY & OTHER STORIES THAT MAKE MY DAY by James Lee Curtis	15	15 TODAY I FEEL SILLY & OTHER STORIES THAT MAKE MY DAY by James Lee Curtis	15
Nonfiction		Nonfiction	
1 THE DAYS WITH MURDER by Michael Crichton	1	1 THE DAYS WITH MURDER by Michael Crichton	1
2 THE LOVE OF THE GAME by Michael Lander	2	2 THE LOVE OF THE GAME by Michael Lander	2
3 THE PROFESSOR AND THE MADMAN by Steven Weinberger	3	3 THE PROFESSOR AND THE MADMAN by Steven Weinberger	3
4 TEN COMMANDMENTS by Laura Scholinger and Stewart Krieger	4	4 TEN COMMANDMENTS by Laura Scholinger and Stewart Krieger	4
5 THE DEATH OF OUTRAGE by William J. Bennett	5	5 THE DEATH OF OUTRAGE by William J. Bennett	5
6 AND THE HORSE HE RODE IN by James Carville	6	6 AND THE HORSE HE RODE IN by James Carville	6
7 DAVE BARRY TURNS 50 by Dave Barry	7	7 DAVE BARRY TURNS 50 by Dave Barry	7
8 LINGERON by A. Scott Berg	8	8 LINGERON by A. Scott Berg	8
9 WORKING WITH EMOTIONAL INTELLIGENCE by Daniel Goleman	9	9 WORKING WITH EMOTIONAL INTELLIGENCE by Daniel Goleman	9
10 ST. JACKIE by Edward Klein	10	10 ST. JACKIE by Edward Klein	10
11 PURE DRIVE by Steve Martin	11	11 PURE DRIVE by Steve Martin	11
12 SHAKESPEARE: THE INVENTION OF THE HUMAN by Harold Bloom	12	12 SHAKESPEARE: THE INVENTION OF THE HUMAN by Harold Bloom	12
13 HIS RIGHT LIGHT by Danielle Steel	13	13 HIS RIGHT LIGHT by Danielle Steel	13
14 THE VICTORS by Stephen E. Ambrose	14	14 THE VICTORS by Stephen E. Ambrose	14
15 CONVERSATIONS WITH GOD: Book 1 by Neale Donald Walsch	15	15 CONVERSATIONS WITH GOD: Book 1 by Neale Donald Walsch	15
Advice, How-To and Miscellaneous		Advice, How-To and Miscellaneous	
1 THE BREAST CANCER PREVENTION DIET by Robert Aron	1	1 THE BREAST CANCER PREVENTION DIET by Robert Aron	1
2 SOMETHING MORE by Sarah Jane Breachman	2	2 SOMETHING MORE by Sarah Jane Breachman	2
3 THE MEANTIME by David Varian	3	3 THE MEANTIME by David Varian	3
4 THE STEPS TO FINANCIAL FREEDOM by Suze Orman	4	4 THE STEPS TO FINANCIAL FREEDOM by Suze Orman	4

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ASIA/PACIFIC

Critic Assails Habibie for 'Iron Fist'

Suharto's Oppression Is Being Revived, Political Opponent Says

JAKARTA — A leading opposition figure in Indonesia accused President B.J. Habibie on Tuesday of ruling with an "iron fist" like his authoritarian predecessor and one-time mentor, Suharto.

"Habibie's government has started to copy the pattern of Suharto's iron fist that oppressed the people," said Amien Rais, a likely presidential candidate. "Then they become the victims."

Ignoring student calls for his resignation following violent protests last week, Mr. Habibie went to the Asia-Pacific Economic Cooperation meeting of heads of states and governments Tuesday and Wednesday in Malaysia. It was his first trip abroad since taking office.

At least 16 people, including eight students, were killed last week in protests and rioting, the worst since unrest ended Mr. Suharto's 32-year rule in May.

Worried about Indonesia's volatility, Mr. Habibie said Tuesday that he would commute to the two-day meeting in Kuala Lumpur. The Malaysian capital is a two-hour flight from Jakarta.

"I cannot stay overnight, because I have a lot of work to do at home," State Secretary Akbar Tanjung quoted Mr. Habibie as saying.

General Wiranto, the head of Indonesia's armed forces and himself the

target of resignation calls, accompanied Mr. Habibie to Malaysia, but said he would stay for both days of the summit meeting.

Mr. Habibie has pledged to dismantle the rigid political system left behind by Mr. Suharto. But activists who want swifter democratic change accuse him of maneuvering to stay in power.

Mr. Rais, the leader of the New National Mandate Party and former chairman of the second-largest Muslim organization in Indonesia, has also demanded that General Wiranto quit over the latest violence.

"Wiranto has to take accountability as No. 1 man for security order," Mr. Rais told several thousand supporters in Bandar Lampung on Sumatra Island, west of Jakarta.

Student anger at Mr. Habibie intensified after the deadly clashes with security forces, which touched off mob rioting by thousands of youths.

Jakarta's streets were quiet Tuesday, a Muslim holy day and national holiday. Red and white Indonesian flags flew at half-staff at houses, hotels and offices in mourning for the slain students.

Chinese Leader States Concern

President Jiang Zemin of China expressed concern Tuesday over the treatment of ethnic Chinese in Indonesia, said Ali Alatas, Indonesia's foreign

minister, The Associated Press reported from Kuala Lumpur.

During the widespread riots in May that toppled President Suharto, looting of shops was concentrated on those owned by ethnic Chinese. Reports that ethnic Chinese women were raped systematically during the unrest are being investigated. The ethnic Chinese were also frequently targets in the rioting last week.

Mr. Habibie assured Mr. Jiang during the APEC meeting that his government strongly condemned the crimes against the Chinese, Mr. Alatas said.

Mr. Habibie said the Indonesia government is determined to eliminate the racial, social and economic gaps between ethnic Indonesians and Chinese, Mr. Alatas said. The small Chinese minority owns a large percentage of the country's businesses and companies.

Mr. Jiang expressed satisfaction with Mr. Habibie's explanation, but said he hopes such riots would not recur.

Mr. Habibie also said he hoped that what happened during the unrest in May would not affect relations between the two countries, Mr. Alatas said. "Don't let what happened in the past become a stumbling block to our future cooperation," Mr. Alatas quoted his president as saying.



Marines relaxing in Jakarta on Tuesday, a calmer day than many recent ones in the Indonesian capital.

BRIEFLY

Doubt on Khmer Rouge Death

PHNOM PENH — Former Khmer Rouge rebels expressed doubt Tuesday about reports of the death of Khieu Samphan, a longtime senior leader of the guerrilla group, and the Foreign Ministry of Thailand called the reports untrue.

The Japanese news agency Kyodo carried a report that the veteran guerrilla had died in the jungles along the Thai-Cambodian border. But Thai military sources said that the report could not be confirmed.

The Foreign Ministry of Thailand said it had checked with other government agencies as well as news agencies and found the account of the death to be untrue. It also denied Mr. Khieu Samphan had crossed into Thailand.

Kyodo quoted a source in the Thai border town of Aranyaprathet as saying that an aide to the Khmer Rouge military chief, Ta Mok, had disclosed the death last week. But a former rebel military commander, Sok Pheap, speaking by telephone from Poipet, across the border from Aranyaprathet, said he had not heard that Mr. Khieu Samphan was dead.

"He may be politically dead, but he is still physically alive," the former rebel said. (AP)

India Stages Military Exercise

NEW DELHI — India conducted one of its biggest military exercises in a decade along its western seaboard on Tuesday, domestic news agencies said.

Press Trust of India said a force of 10,000 from the army, the air force and the navy took part in the maneuvers at an unidentified location on the western coast. "Exercises were scheduled," a Defense Ministry spokesman said. He refused to elaborate.

The news agency the exercise involved 28 ships including the country's only aircraft carrier and two submarines, as well as fighter planes and tanks, in a mock assault on an island. (Reuters)

Filipino Rapist to Be Executed

MANILA — A judge ordered Tuesday that a convicted rapist be put to death in the first execution in the Philippines in 22 years, and the first by lethal injection.

The convicted man, Leo Echegaray, 38, was sentenced to death for raping his 10-year-old step-daughter several times. He was tried and found guilty in 1994.

The Philippines abolished the death penalty in 1987 but restored it in 1994 for such "heinous crimes" as rape, drug trafficking and murder. (Reuters)

Guilty Plea in China Hijacking

BEIJING — A Chinese woman, sent back from Taiwan after serving four years of a six-year jail sentence there for hijacking an airliner, pleaded guilty Tuesday to air piracy charges at a separate trial in China, a court official said.

The trial of the woman, Han Fengying, opened Tuesday at the Intermediate People's Court in Jinan, the capital of Shandong Province, said the official. The defendant, who hijacked a Chinese airliner to Taiwan in 1993, was repatriated in July 1997.

"She confessed to her crimes," the official said. "A lawyer will be appointed for her." Air piracy can be punished by death in China. (Reuters)

Nationalist Hindus Step Up Attacks on India's Christians

By Kenneth J. Cooper
Washington Post Service

NARODA, India — Long known for sporadic outbreaks of violence between Hindus and Muslims, India is experiencing a new wave of communal conflict: Hindus, who make up 82 percent of the country's 950 million people, are attacking Christians — a 2 percent minority — and their religious institutions.

In the seven months since the Bharatiya Janata Party, a Hindu-nationalist organization, formed its first enduring national government, church leaders have reported dozens of attacks on Christians in more than half of India's 25 states — mostly in the north and west, where the Christian population is smaller and Hindu nationalist sentiment stronger.

While the recent assaults have increased fear and insecurity among Christians, they have not been as incendiary — or as deadly — as the Hindu-Muslim riots of the past, in

which thousands died. No Christian has been killed in a communal attack reported this year, and no evidence of a religious motive has been found in the most inflammatory crime committed recently against Christians — the rape of four Roman Catholic nuns in central Madhya Pradesh state in September.

The attacks on Christians appear designed less to inflict bodily harm than to disrupt or shut church schools, health centers and development programs that have attracted converts from Hinduism's lower castes. Most Indian Christians are members of indigenous tribes or outcastes, formerly known as untouchables, who had hoped conversion would free them from the bottom of the traditional hierarchy.

Gujarat, a Bharatiya Janata Party-ruled state in the northwest and the birthplace and base of Mohandas K. Gandhi, the founding father of modern India who preached religious tolerance, has witnessed the most har-

assment of Christians. In that state alone, Christian leaders have counted about 40 attacks, including:

• In April, hundreds of Hindu nationalists wrecked a newly finished Catholic church in Naroda, a suburb of the state's largest city, Ahmedabad. The activists also leveled a small temporary chapel, tossing statues of the Virgin Mary and infant Jesus into the dusty road and raiding the church's offering box to buy ice cream to celebrate their deed.

• In June, a mob of Hindu men swarmed into a Presbyterian high school for girls in Rajkot, confiscating several hundred copies of the New Testament and torching them in a bonfire. The school's principal was briefly held hostage in her office to force her to pledge in writing not to conduct "any religious activities" at the predominantly Hindu school.

• In July, Hindu nationalist activists dug up a Methodist man's body in a Christian cemetery in Kapadvanj

and dumped it near his church. The dead man, a convert from one of Hinduism's lower castes, had used "Christian" as his last name.

"This is recent. This was not happening before — only here and there, not the kind of trend you see now," said Vincent Concessao, the Roman Catholic auxiliary bishop of New Delhi.

The Bharatiya Janata Party-led government has acknowledged an increase in anti-Christian attacks this year, although the official nationwide count is lower than that of church leaders, possibly because in some cases the local police have refused to accept criminal complaints from victims. Last month, the U.S. ambassador, Richard Celeste, expressed concern about the recent wave of communal violence when he met Home Minister L.K. Advani, who has promised an investigation.

The Bharatiya Janata Party has distanced itself from the violence, but its elected leaders have not condemned communal assaults often blamed on allied Hindu nationalist groups that constitute the party's hard-core support.

Christians on the Indian Subcontinent believe that their religion took root here almost 2,000 years ago when St. Thomas the Apostle evangelized in the south, home today to most of India's 23 million Christians. More recent missionaries, including American Baptists, have converted sizable majorities in three small states in the northeast. Overall, about 70 percent of the nation's Christians are Roman Catholic.

Hindu nationalists have accused "foreign missionaries" of forcing or bribing impoverished masses to convert in a bid for political power, a charge that resonates here because European missionaries did commit such abuses during the colonial era. Inconceivably, some Hindu nationalist leaders have warned that Christians could outnumber Hindus by early in the next century.

U.S. Rejects Accusation of Incitement

Kuala Lumpur's Charge 'Not at All' Justified, Security Aide Replies

By Brian Knowlton
International Herald Tribune

WASHINGTON — The United States sharply rejected Tuesday the suggestion by Malaysian officials that comments by Vice President Al Gore constituted U.S. meddling in Malaysian affairs or were intended to encourage popular rebellion.

Mr. Gore, in a speech Monday in Kuala Lumpur to a forum of Pacific Rim countries, spoke approvingly of calls for reform from "the brave people of Malaysia." He also referred to "people's power," the battle cry used by the Philippine protesters who took to the streets in 1986 until President Ferdinand Marcos fled the country.

Asked whether there was any ground to the Malaysian accusations of interference, P. J. Crowley, a spokesman for the U.S. National Security Council, said, "Not at all."

He also denied that the reference to "people's power" indicated U.S. support for a popular uprising, saying it was meant to encourage the sort of democratic change that has occurred in South Korea, where a former dissident, Kim

Dae Jung, was elected president last year. "Korea," said Mr. Crowley, "has evolved into a very strong, very vibrant, functioning democracy, something ultimately in the region's interest."

He also said that there were no U.S. regrets about what Mr. Gore said or how he said it. The speech that Mr. Gore delivered before the Asia-Pacific Economic Cooperation forum had been written by National Security Council staff members for President Bill Clinton, who canceled his APEC appearance because of the Iraq crisis.

Mr. Gore's comments, Mr. Crowley said, were consistent with ongoing U.S. concerns about human rights in Malaysia, particularly the ouster and imprisonment of the deputy prime minister, Anwar Ibrahim.

Noting that Secretary of State Madeleine Albright had met with Mr. Anwar's wife in a show of support, he said, "We have had great concern about his personal safety and his ability to receive a fair trial and due process, and we have expressed this consistently on a government-to-government basis."

A core message of the Gore speech,

U.S. officials have said, is that democracies are better able to cope with economic crisis, and better able to provide decent living standards to their people, than are more authoritarian countries.

Mr. Gore's comments brought comparisons to President Clinton's trip to China earlier this year, when he condemned the massacre around Tiananmen Square, told students that their country could not attain prosperity and social stability without a greater embrace of individual freedoms, and engaged in an unexpectedly frank public exchange of views with President Jiang Zemin.

A U.S. official, who asked not to be named, noted that the Chinese took this discussion gracefully and entered into a debate that has been useful.

Mr. Gore's comments, on the other hand, were delivered with less diplomatic cushioning, and were received with defensiveness and hostility.

Mr. Crowley said the United States would continue to make its views clear. "We will continue to work with these countries to help them develop the kinds of societies we think are best for their people, and best for the region," he said.

GORE: Malaysia Accuses U.S. of Urging Government Overthrow

Continued from Page 1

that President Bill Clinton had endorsed the vice president's speech.

Some APEC leaders and Malaysian opposition figures said Tuesday they were worried that the strong U.S. advocacy of human rights could be counterproductive.

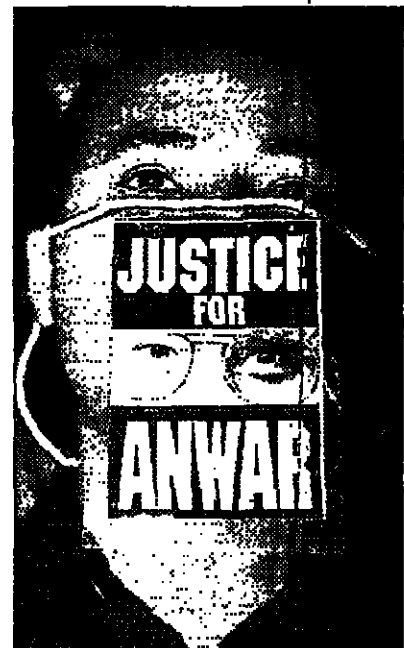
"Every society is different," said Prime Minister John Howard of Australia, "and you don't necessarily achieve a desirable outcome by constantly hectoring other nations."

Mr. Mahathir did not respond publicly on Tuesday to Mr. Gore's comments, but Japanese officials said he had told Prime Minister Keizo Obuchi of Japan in a private meeting that Malaysia "cannot accept moves to forcibly shake the elected government with mass movements or demonstrations."

Malaysian politicians, analysts and foreign diplomats said the Malaysian leader was likely to exploit Mr. Gore's speech to whip up nationalist sentiment.

This plays into Mahathir's hand and will probably even strengthen him," said Syed Husin Ali, president of the opposition Parti Rakyat Malaysia.

Mr. Gore's remarks also were criticized by businessmen with close ties to the region. "The American business community who come to Kuala Lumpur to play a constructive role to Asia's economic problems are mortified to be associated even indirectly with the actions of the government," Kate Clements, spokeswoman for the U.S.-ASEAN Business Council in Kuala Lumpur, told Agency-France Presse.



A supporter of Anwar Ibrahim, one of several hundred who protested Tuesday in Kuala Lumpur.

Mr. Anwar, who is on trial on corruption and sodomy charges, was dismissed in September and then arrested after leading 30,000 protesters in Kuala Lumpur who called for an end to Mr. Mahathir's 17-year rule.

Mr. Anwar alleged that the government system in Malaysia was riddled with corruption and nepotism — two

ills, Mr. Gore said Monday, that could best be fought by democracy.

Mr. Anwar also asserted that he was a victim of a high-level government conspiracy to end his political career. He appeared in court with bruises on his face and neck, and alleged that he had been beaten by police after his arrest.

In a gesture of concern about the treatment of Mr. Anwar, the Australian foreign minister, Alexander Downer, met with Mr. Anwar's wife on Sunday, although Australian officials did not announce the meeting until Monday.

Two Canadian ministers met with her on Saturday. The U.S. secretary of state, Madeleine Albright, made a point of seeing her Sunday.

Indonesian and Thai leaders had earlier criticized the treatment of Mr. Anwar and said they hoped he would receive a fair trial.

Even as Mr. Numata, the Japanese government spokesman, said Tuesday that Tokyo eschewed "megaphone diplomacy," he disclosed that in the private meeting with Mr. Mahathir, Mr. Obuchi had expressed the hope that Mr. Anwar's trial — which was adjourned to avoid controversy during the APEC meetings — would be "conducted on the basis of law and justice."

A senior U.S. official said that despite apparent differences in approach, "what you're really seeing is region-wide concern at the bad behavior of the Malaysian government in terms of how it has treated one of the most respected figures in Asia."

"We make absolutely no apologies," the official said.



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EUROPE

Auditors Find Evidence Of 'Irregularities' in EU

Report Stops Short of Alleging Fraud in Budget

By Barry James
International Herald Tribune

BRUSSELS — The European Union's Court of Auditors reported widespread "irregularities" on Tuesday that cost taxpayers some \$5.9 billion, but found little direct evidence of fraud in the administration of the EU's \$96 billion budget last year.

In particular, it singled out EU aid to the Russian nuclear industry as an accounting black hole.

The court estimated that about 5 percent of the budget was mismanaged or improperly accounted for — only a slight improvement on the 5.3 percent rate reported in the two previous years.

The court's president, Bernhard Friedrichmann, told the European Parliament in Strasbourg that the EU was "losing vast amounts of revenue" because of inadequacies in the way that customs duties and value-added tax were collected.

The court's annual report described the decision-making of the European Commission, the EU's civil service, as "slow and formalistic." It criticized the commission's slow tender procedures, the lack of supervision of field projects and the hiring of outside contractors whose performance "is not always of adequate quality."

As an example, Mr. Friedrichmann said much of the money in the EU's \$1 billion program to help Russia and Eastern Europe make nuclear reactors safe had been wasted because the commission had paid outside contractors "Western wages and Russian experts" — or in other words, 15 times too much.

In the case of the agency, he added, little more than one-third of the

budgeted money has been spent, and it was "not possible to judge whether there had been any actual progress in terms of nuclear safety."

"A constantly changing collection of the staff in the unit responsible for the program, insufficient tools for project administration and book-keeping, as well as a lack of rigor in the administration has made it impossible for the commission to follow up measures, deal with problems quickly or monitor the quality of services received from contractors," he added.

If the court found little evidence of fraud, Mr. Friedrichmann said, it was partly because its audit work had prevented crime, and partly because the court was not set up as a police force.

Any evidence of fraud is turned over to the commission's own investigating arm. But that body was inefficient, the court said in a recent report, because half its employees are on short-term contracts, its data bases have limited utility and its scope is confined to the Commission.

About 80 percent of the EU's spending goes to agricultural support and structural funds designed to help poorer areas. The administration of this money is largely left to member governments, which are accountable to the court. Most of the court's findings of irregularities referred to these payments.

Eerik Liikanen, the commissioner responsible for the budget, told the Parliament he regretted that the European Council, which represents the 15 member governments, had opposed a Commission proposal to penalize countries where shortcomings in management or inspection systems caused "systematic irregularities."



After complaining about the burdensome costume he has worn as the lord chancellor, Lord Irvine was granted the right to go without his tights and buckled shoes.

Lord's Plea: 1, 2, Unbuckle My Shoe

Britain's Divided Upper House Relaxes the Dress Code for Its Speaker

By Sarah Lyall
New York Times Service

LONDON — All Lord Irvine wanted was the right to change his pants.

He found the slim black breeches that went with his job as lord chancellor outdated and a little bit embarrassing, he said. Nor did he like the black stockings and buckled slippers that completed his official outfit in the House of Lords, making him look like a dark version of the frog footman in "Alice in Wonderland."

"I feel that for male adults of sound mind like myself — I hope I am — the days of breeches, tights and buckled shoes should go," he told a parliamentary committee recently.

But change comes slowly to the House of Lords, and Lord Irvine's modest plea generated an unusually impassioned debate there Monday, as peers from across the political spectrum discussed the semantics of fancy costumes, the unbearable heaviness of full-length wigs and the potential erosion of standards.

On the one side was Lord Irvine, a cabinet member, the nation's top judge and the speaker of the House of Lords, dressed in a 17th-century costume and sitting on the Woolsack, a big, square bench filled with British wool that is meant to represent the country's trading prosperity.

He argued on behalf of the Labour government's desire to modernize, to put an end to many of the archaic customs that sometimes make Britain seem like a quaint theme park.

On the other side were the men and women of the Conservative opposition, sitting on red leather benches in

business suits and dresses, arguing strenuously on behalf of tradition and formality.

"The office of lord chancellor is one of the highest in the land," said Earl Ferrers, a Conservative lord who led the offensive against Lord Irvine's sartorial proposal.

Speaking of the lord chancellor's outfit, he added, "It is a reminder to all of us, and members of the general public, of the stature, dignity and indeed the awe in which the office of lord chancellor is held."

At the end of the day, the vote was 145 to 115 in favor of letting Lord Irvine dress, if not completely normally, then at least semi-normally.

He will be allowed to jettison the half-pants, the stockings and the patent-leather slippers in favor of regular black trousers, socks and well-polished black shoes, the peers decreed, but when he is presiding over the Lords, he will still have to wear his long, heavy wig and his long, heavy robe.

Although he has complained bitterly about the wig — it "weighs an absolute ton and is very uncomfortable," he said last week — Lord Irvine graciously agreed to continue wearing it whenever he sits on the Woolsack.

But when he is sitting with the rest of his party during discussions of bills in which he is taking the lead, he will now be allowed to dispense with the costume altogether, and appear in a simple business suit.

Many of the peers who spoke Monday seemed exercised by the erosion of custom. With many of them facing enforced retirement soon — the government plans to remove the right of hereditary peers to sit and vote in the

Lords — they are extremely sensitive to anything that might chip away at the Lords' dignity and power.

Recently, the government decided to shorten the induction ceremony whereby new peers enter the House of Lords, an elaborate ritual that involves bowing on numerous occasions while dressed in a voluminous robe and floppy cap.

It has also pared down the trappings of the annual state opening of Parliament, another tradition-clogged ceremony, by, for instance, eliminating the role of someone known as the silver stick in waiting (Andrew Parker Bowles, former husband of Prince Charles's companion, Camilla Parker Bowles, once held that job).

In addition, the Lord Chancellor will no longer be required to walk backward down the steps away from the Queen; instead, he will be allowed to turn around and walk away normally.

It is such changes that particularly upset people like Baroness Young, who spoke against the proposal Monday.

"This is a very good example of salami-slicing," she said of Lord Irvine's proposal, meaning that as each slice is removed, the salami of tradition gets smaller and smaller until nothing is left.

"We've had this today — what will come tomorrow?" she added, speaking ominously of "dress-down Friday" and peers in jeans and T-shirts.

But Baroness Thornton, speaking in support of Lord Irvine, noted that many traditions were "accidents of history." Still, as much as he hated his outfit, she said, the lord chancellor should be relieved that he never had to wear a little tunic and a chain-mail shirt.

Study Clears Paris of Holding Housing Looted From Jews

The Associated Press

PARIS — Two years after the city of Paris was accused of holding real estate seized from Jewish owners during World War II, an investigation shows that there were only a handful of such seizures and that the owners or heirs were reimbursed, the mayor said Tuesday.

The report presented by Mayor Jean Tiberi was another effort by French officials to show that they are actively investigating wartime abuses by the collaborationist Vichy regime.

The Paris report ended two years' research that was overseen by a commission of historians, lawyers, archivists and representatives of the Jewish community.

The panel was looking into charges that hundreds of buildings and apartments — notably in the Marais, the historic Jewish quarter of Paris — might have been seized from Jewish owners by wartime French authorities and their heirs never compensated.

When the charges were made public in November 1996, largely due to the publication of a book, "Private Domain," by Brigitte Vital-Durand, Mr. Tiberi halted sales of any apartments that could be suspect.

But now, he said Tuesday, "it appears that the city possesses no property that one can say today was the result of uncompensated seizures from Jewish owners."

Researchers found that only 1.3 percent of

property acquired by the city during the war belonged to Jews. That can be explained by the fact that many Jews were poor and rented rather than owned apartments.

The commission president, Noel Chahid-Nourai, said at a news conference that his group had found "no systematic policy" but only "a few isolated cases" of uncompensated seizures from Jewish owners.

Specifically, the report says, out of 3,694 city acquisitions during the war, 49 were definitely from Jewish owners and only 7 cases are considered suspect.

The majority of Parisian Jews — about 25,000 — lived in the Marais at the time of the war. Only 5,000 Jews were left at the end.

Of the 75,000 Jews delivered to the Germans by French authorities, 2,500 returned after the war. Many families left no heirs.

■ **Hunt for Looted Art in Britain**

Holocaust researchers began a hunt in Britain on Tuesday for art treasures looted by the Germans during World War II. Reuters, reported from London.

Lord Greville Janner of the Holocaust Educational Trust, issuing a research document on looted Nazi art that may have reached Britain, said he had won the agreement of state and private museums to make detailed checks on the provenance of paintings.

BRIEFLY

French Court Reduces Le Pen's Punishment

VERSAILLES — France — An appeals court upheld Tuesday the conviction of Jean-Marie Le Pen, a far-right leader, for assaulting a Socialist politician but reduced his punishment, banning him from politics for one year instead of two.

The court also upheld a three-month suspended sentence and ordered Mr. Le Pen to pay a fine reduced to 5,000 francs (\$892) from 20,000 francs.

The ruling means that Mr. Le Pen, 70, cannot hold office, run for office or vote for a year.

Mr. Le Pen was convicted in April of assaulting Anne-Marie Le Pen, a Socialist opponent of his daughter in the race for Parliament, at an election rally in 1997. (AP)

Nestle Alerts Germans

FRANKFURT — Nestle, the Swiss food giant, said Tuesday that it was the target of an extortion attempt in Germany.

A company spokesman in Frankfurt said that Nestle products contaminated with small amounts of pesticide had been found in supermarkets across Germany recently.

A letter demanding an extortion payment arrived Monday, the spokesman said. The letter said that five contaminated products had been placed in supermarkets in southern Germany.

Suspect products have been cleared from shelves, the spokesman said, adding that consumers should be vigilant and check packaging carefully. (Reuters)

New French Newspaper

PARIS — A former Socialist speaker of the French Parliament, Henri Emmanuelli, inaugurated a daily, leftist-oriented newspaper Tuesday that he boasted was "politically incorrect."

Le Quotidien de la République, with a staff of about 50, was set up on an investment of 8 million francs (\$1.45 million). It needs to sell at least 30,000 copies daily to survive.

Although the budget included a loan of 3 million francs from the Socialist Party, Mr. Emmanuelli said the newspaper would not be a party mouthpiece. (Reuters)

British Court Sets Limit in Pinochet Case

Reuters

LONDON — A British court said Tuesday that the government must decide by Dec. 2 if it is to proceed with Spain's request to extradite General Augusto Pinochet of Chile.

But the decision by Home Secretary Jack Straw will be relevant only if the House of Lords overturns a ruling that General Pinochet is immune from prosecution for alleged offenses committed while he was head of state.

A panel of five Law Lords, who form the nation's highest court, could announce its decision this week, although no date has been set. If the Law Lords rule in General Pinochet's favor, then he will be allowed to go free.

But lawyers for the Spanish authorities want to press ahead with the extradition process in case the Law Lords rule in their favor.

A further hearing will be held Wednesday in England's High Court on the conditions of General Pinochet's bail in order to allow him to appear in court.

The High Court granted General Pinochet bail last month, but said he must remain under police guard in a London hospital — conditions that would not allow him to go to court.

General Pinochet has been under arrest since Oct. 16 on a Spanish request for extradition. A Spanish judge wants to charge him with genocide, torture and terrorism during his 17-year rule, which ended in 1990.

Alm Jones, a lawyer representing the Spanish government, said the 82-year-old general was "fit to be discharged from hospital."

Graham Parkinson, a British magistrate, said he wanted General Pinochet to be brought before him in court Nov. 27 and called for an update on his health if his lawyers argued that the general was still not fit enough to appear.

"Some people are more well known than others," the magistrate said. "But they should not be treated any differently in this court."

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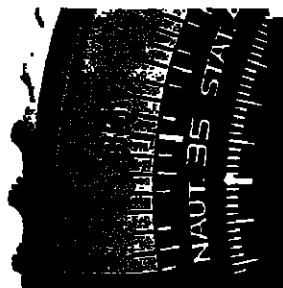
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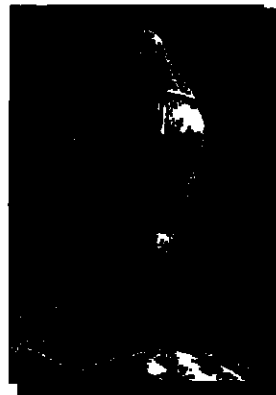
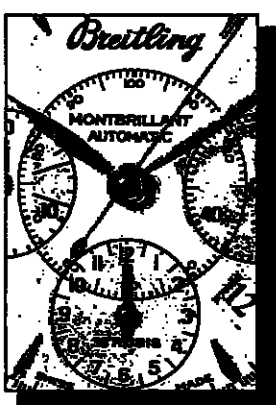


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CÔTE D'AZUR: WHERE LIFE SCIENCES FLOURISH

INNOVATION BREEDS HIGH-TECH SUCCESS

Proximity to work, advanced research facilities and good schools attracts many to the South of France.

With its sun, sea, sand and mild climate, the Côte d'Azur could be described as a healthy place to live. But health has taken on a new meaning on the French Riviera, whose economy once relied almost exclusively on tourism.

Now, a number of high-tech businesses have chosen what was once seen as a playground of the rich and famous as the right place to do business. A high concentration of health-related industries are active in the area, forming what the French like to call a "pole," in this case a life-sciences pole.

This hub is made up of 240 companies working in biomedical sciences, pharmaceuticals (both laboratories and service companies), agronomy, cosmetology and aromachemistry. With annual net sales of 14 billion francs (\$2.48 billion), 47 percent of which is exported, the sector employs 8,600 workers. The companies are backed up by the University of Nice-Sophia Antipolis, whose medical school has 20 research labs and 10 clinical research labs, and the European Heart House, a training center for cardiologists and home of the European Society of Cardiology.

Many of the sector's companies have found a welcoming base at Sophia Antipolis, a technology park located between Nice and Cannes. Created in 1969, it is now home to 1,103 companies, over 100 of which are foreign.

"The Côte d'Azur as a whole and Sophia Antipolis in particular are a communications axis with a strategic location," says André Delhay, operations director of Elaiapharm. "It has no equal in Europe. It also serves as a counterweight to Paris — not everything happens in Paris."

Another 300 companies have found a home in Nice-l'Arenas, a business center near the airport and the Parc Phoenix botanical garden. Aromachemistry enterprises are based around Grasse, the traditional home of the French perfume industry.

Why have so many companies chosen the Côte d'Azur as a base for their activities? Almost universally, executives cite the quality of life in the area. This makes it easy to attract qualified employees who want to work there, as well as international business contacts who are more than happy to make the trip to the Côte d'Azur. And — it is a well-known fact — happy workers are better workers.

As Jean-Pascal Billot, vice president for research and development of Galderma R&D Sophia-Antipolis, a dermatological research center, says: "We have a quality of life that is not possible in Paris. Most of our employees find houses in the nearby countryside and have an easy commute of 15 minutes or so. To work well in the field of research, you need to have a free spirit. Our lifestyle here is compatible with innovation."

Preferred destination

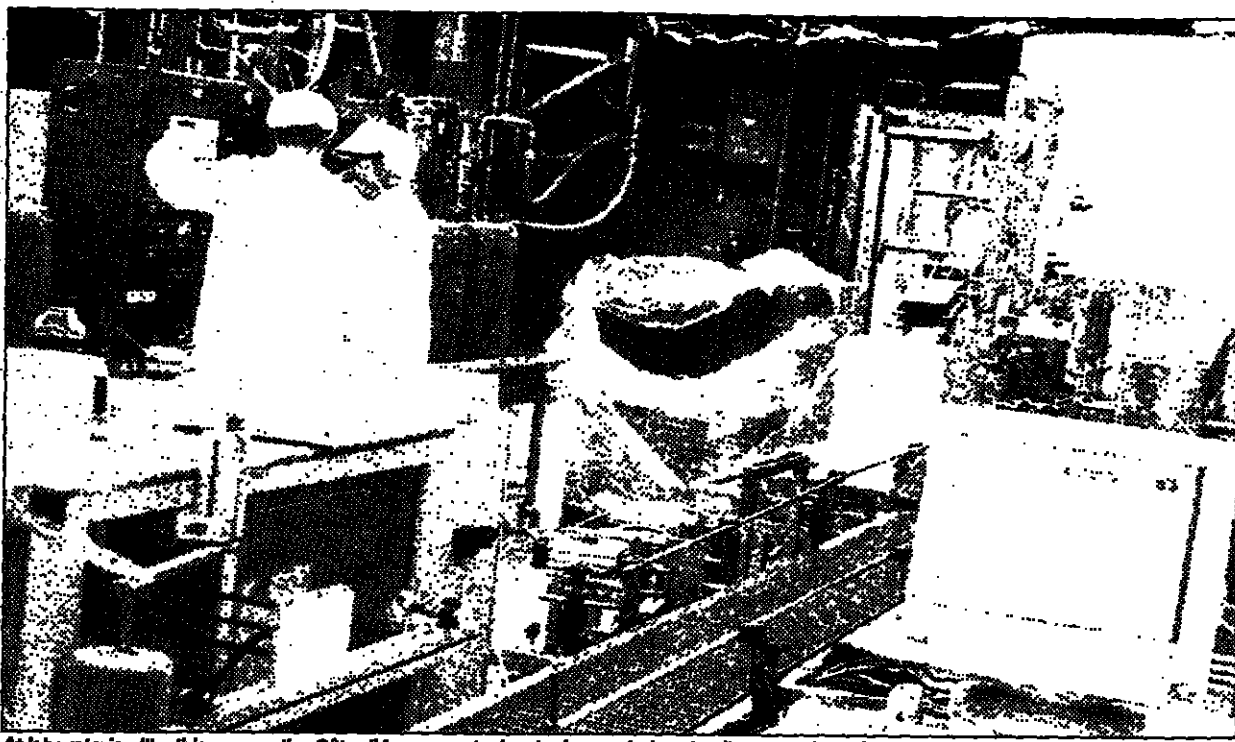
He also cites Nice's easy connections with Paris and the rest of the world through its international airport — an important factor for companies like Galderma that work on an international level. "People are thrilled to come here," says Mr. Billot.

The Nice-Côte d'Azur Airport, located just 18 kilometers (11 miles) from Sophia Antipolis, is France's second-largest. It has direct service to 85 cities in 27 countries, and handles 7.4 million passengers a year. There are 32 daily flights between Nice and Paris.

For Bart De Wever, director of business development for Nice-based SkinEthic, the beauty of the location is that "instead of traveling to see our customers, I can just invite them here."

Educated, skilled staff

Another advantage of the area is its pool of skilled workers. "We try to hire locally," says Mr. Billot, who cites the University of Nice as a source of many of its researchers. "We have no recruiting problems."



At laboratories like this one on the Côte d'Azur, new technologies are being developed and are finding international markets.

"The problem isn't in finding workers but in choosing among them," says Jacques Le Guillemin, chairman of NMT Neurosciences. He, too, thinks the pleasant lifestyle on the Côte d'Azur improves productivity. "The skilled workers on the Côte d'Azur work harder," he says. "They know their families are happy, and don't feel that they have to rush home." He also mentions the importance of the international schools in Nice, Sophia Antipolis and Mougins for attracting employees from abroad, and the great willingness of customers to come to the area for meetings.

Many of these skilled workers are the product of the area's universities. "We can find all the skills we need in the South of France," says Mr. Delhay of Elaiapharm.

From crops to cosmetics

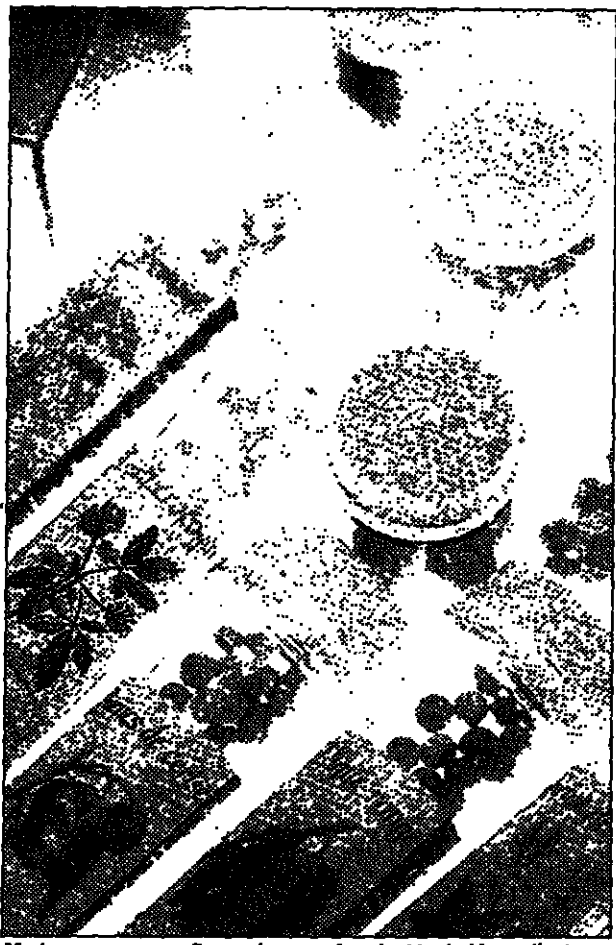
To facilitate contacts and cooperation between local companies working in the sector, the local Chamber of Commerce and Industry, in conjunction with the Local Council and the French government, has set up a life-sciences network.

"Our role is to bring together researchers and companies in the sector to encourage its development," says Anne Lichtenberger, the network's manager, who organizes seminars and other types of meetings for managers and financial and technical experts. As an example of a possible area of cooperation that makes use of the complementary skills of the Côte d'Azur's companies, she says that the region's world-renowned perfume sector might work with pharmaceutical companies in developing "taste-masking" ingredients for medicines. In addition, pharmaceutical labs could make molecules for use in the cosmetics industry. Biotechnology has applications in many fields, including agribusiness and cosmetics.

Record job level

In addition to the life-sciences network, other initiatives are being undertaken. The Club Hi-Tech was formed to encourage exchanges between the disparate actors in the sector, with its biotechnology subdivisions directed by Dominique Coll of Bionotec. On Dec. 15, it will launch an Internet site called the Guide Biotech (<http://guidebiotech.hitech-azur.asso.fr>) to provide information on the life-sciences companies, laboratories and institutions of higher education in the Alpes-Maritimes department and nearby Monaco.

To encourage business development in the area, Côte d'Azur Développement, the regional economic development and service agency for the French Riviera, was founded 15 years ago to help new companies with feasibility studies and financial assistance formalities. Last year, CAD reported a record year for employment, with 1,000 jobs either created or transferred to its territory.



Modern processes often make use of ancient herbal ingredients.

FRENCH PERFUME: THE NOSE KNOWS

The sweet smell of success sometimes emanates from less-than-pleasant odors. An example is the perfume industry in Grasse, which originated centuries ago as an antidote to the stench created by the area's tanneries. Now the Grasse region is home to half of France's aroma and perfume industry, and its 60 companies provide around 3,200 jobs. The Côte d'Azur accounts for 7 percent of perfume and aroma sales worldwide.

The microclimate of the area is especially suited to growing roses and jasmine. Today, France's finest perfume makers, such as Dior, Chanel and Guerlain, continue to use the perfume extracts produced around Grasse.

The main activity of the area's companies has traditionally been the production of alcohol-based perfumes, cosmetics and soap products, but the production of aromatic flavorings for the food industry has shown strong growth in the past 15 years. The first category now accounts for 45 percent of activity and food flavorings for 55 percent.

The science

The area's economic activity is based on five activities: production, creation of aromatic compositions, research, marketing and tourism. Raw materials are processed into essential oils, resins, absolutes and absolutes.

For the creation of fragrances, the "noses" are put to work to blend the raw ingredients into perfumes, and aromatics design flavorings for the food industries. Many companies have advanced research and development centers working on new base materials, cultivation techniques, processing methods and biotechnological techniques for in vitro reproduction of odoriferous constituents. Marketing includes sales, imports and distribution.

A tourism industry has grown up around the fragrance business, with perfume makers like Fragonard, Molinard and Galimard opening their facilities to the public. Tourists also visit the International Perfumery Museum in Grasse, and business travelers are attracted to professional meetings like the World Perfumery Congress, which took place in Grasse and Cannes in May 1998.

The Grasse region is home to half of France's aroma and perfume industry

PHARMACEUTICAL INDUSTRY ENJOYS FERTILE CULTURE

This fast-growing sector is finding congenial conditions on the high-tech Côte d'Azur.

The Côte d'Azur's dynamic pharmaceutical sector encompasses both laboratories and service companies, many of which have found important niches for themselves on domestic and international markets.

Galderma R&D, located in Sophia Antipolis since 1979 and the world's largest research center dedicated to dermatology, has a workforce of 300, three times its size in 1992. The parent company, Galderma, is jointly owned by L'Oréal and Nestlé.

With net sales in 1998 of 2 billion francs (\$354 million), the company is growing by 20 percent to 25 percent a year and reinvests its turnover in research.

"This kind of growth is very rare," says Jean-Pascal Billot, vice president for research and development. "Our goal is to be number one in the field."

One of the secrets of its success is Difforin, a highly effective acne treatment based on adapalene, a retinoid synthesized by Galderma R&D's scientists in 1985. Galderma R&D also develops treatments for eczema, psoriasis and fungal infections.

Environmental conscience

On the production side, Elaiapharm develops, manufactures, packages and distributes pharmaceutical products, including pills, chemicals, syrups, ointments and creams. Clients include Warner Lambert and Glaxo-Wellcome, the former owner of the company, which sold it to four of its managers, backed by a British capital risk society, in 1997. The new company, whose name integrates the Greek word for "olive tree," employs 185 people. "We kept 130 employees," explains André Delhay, operations director, "and created 50 new jobs for the development and marketing of products that didn't exist before."

Elaiapharm is preparing for ISO 14001 certification and places strict emphasis on environmental and quality control. "We think about more than just the business aspects of the company," says Mr. Delhay, who points out that Elaiapharm has already agreed to the 35-hour work week being promoted by the French government.

Sophia Antipolis-based research and development company NicOx was born of an American-style business initiative. When its founders, Piero del Soldato, Michele Garufi and Elizabeth Robinson, decided to create a start-up company, they found the venture capital they were looking for in France and set up their headquarters there, says Mr. Garufi, the company's chief executive officer.

NicOx, the market leader in the field of nitric oxide releasing therapeutics, grafts nitric oxide onto conventional drugs, such as aspirin, anti-inflammatory drugs or steroids, creating a new medicine that is more effective, better tolerated and has fewer side effects. The technique may have applications in the treatment of Alzheimer's disease, asthma and colon cancer, among others.

The importance of the company's work was confirmed this year, when a member of NicOx's scientific advisory board, Professor Louis J. Ignarro, was awarded the Nobel Prize in Physiology or Medicine along with two of his colleagues for their work on the role of nitric oxide in biological systems. NicOx's advisory board is made up of a number of prestigious international scientists.

NicOx has development and licensing agreements with Bayer AG and Astra AB. The company plans to enter the new stock market in France next year, and possibly the U.S. NASDAQ in two years. Not bad for a company that "started over a pizza," as Mr. Garufi says.

All natural

Bionotec, based in Biot, makes all-natural "biogranules" containing plant extract and essential oil. Some of its products contain fennel, mint, black radish, rosemary and artichoke, activated with essential oil of fennel, preparations that are said to aid digestion. The originality of these products lies in the process used to make them, which was perfected by Bionotec. No gelatin, which is made from animal products, is used, and they contain nothing but their active ingredients.

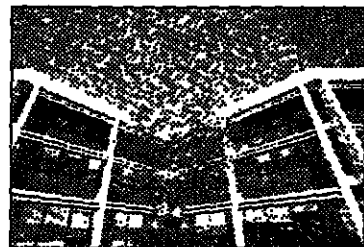
They can be swallowed, chewed or dissolved in the mouth or in water, and are sold in drugstores and health-food stores.

"We are studying the development of new products," says Director Dominique Coll, "such as vitamins for pets; food flavorings made from extracts of thyme or basil, for example; and water-soluble biogranules containing essential oils for the bath."

One step further

CLL Pharma is a rapidly growing Nice-based research and development company that currently has 27 employees. Its offices are located in the Arenas Business Center, next to the Nice-Côte d'Azur Airport. The company selects drugs that are in the public domain and develops them as generic medicines or improves them and patents them as a new product.

In the latter category, CLL Pharma might, for example, "reduce the active ingredi-



Indoors, something new under the sun.

ents in a medicine without diminishing its effectiveness so that it has fewer side effects," says General Manager René Gimet. Once a product has been approved for marketing by regulatory authorities, the marketing license is sold to a large laboratory such as Sanofi, Bayer or Merck. CLL Pharma has around 54 projects in development and plans to enter the new French stock market for start-ups this month. This year, CLL Pharma was awarded the Institut National de la Propriété Industrielle's innovation trophy.

Good practices

Hi-Pharmatch, also based in Sophia Antipolis, is the new technologies division of Prographarm Group of Paris. Hi-Pharmatch perfected the technology for "Flashtabs," tablets that immediately melt in the mouth, releasing the active ingredient of the medicine, and whose coated multiparticles mask unpleasant flavors. U.S.-based Perrigo Co. has acquired exclusive rights to the Flashtab technology for pediatric 80 mg and 160 mg acetaminophen products from Prographarm.

Iris Pharma in La Gaude specializes in ocular pharmacology, conducting research for a number of international laboratories, most of them American. Service provider CPCAD (Center for Applied Clinical Pharmacology in Dermatology) is associated with the Archet 2 hospital in Nice and conducts clinical tests of new dermatological treatments. "We contract with industrial clients who can benefit from our experience in research and practice in a university-hospital environment while guaranteeing good laboratory practices," says Jean-Paul Ortonne, scientific director of CPCAD.

HELPING SHAPE THE FUTURE OF MEDICINE

Health is both an art and a science in this region, where young companies are breaking new ground.

The Côte d'Azur's biomedical science companies have a talent for innovation, and they are marketing their precision products around the world.

Focus Imaging S.A. is a medical imaging company with operations in Sophia Antipolis and San Francisco. The company has created a revolutionary three-dimensional computer software called CardioMatch, which analyzes images for the diagnosis and monitoring of coronary artery disease. A doctor can look at color images of a patient's heart on screen and compare them to a reference image to make a diagnosis. The images can be sent through the Internet or transmitted anywhere in the world for consultation — a great advantage when a specialist is not on hand.

The technique minimizes invasive diagnostic procedures, reduces by more than half the number of false positives, identifies low-risk patients who can be treated without surgery and reduces the number of patients admitted to cardiac units by error. Eventually, the technology could be applied to areas such as neurology or oncology.

Focus was founded in 1992 and opened its research facility in Sophia Antipolis in 1997 to take advantage of the advanced technology and engineers in France, according to Michael Aufret,

product marketing manager for Europe.

NMT Neurosciences — formerly Cordis, then Elekta — of Sophia-Antipolis was purchased this year by Nitinol Medical Technologies, Inc., based in Boston, Mass. The company makes equipment for neurosurgery and cardiology. These include valves used in the treatment of hydrocephalus and systems for the delivery of drugs and chemotherapy to targeted areas of the body to reduce potential side effects. "We are plumbers of the brain and electricians of the heart," says Jacques Le Guillemin, chairman of NMT. The company has 160 employees in Sophia-Antipolis and exports 90 percent of its products.

One of the Côte d'Azur's success stories, SkinEthic, began in the apartment of scientist Martin Rosdy's mother, where he worked on growing cultures of reconstituted human skin and succeeded in creating a product that is invaluable for companies that need to test their products on human epidermis and epithelia. SkinEthic manufactures the human tissues semi-automatically and ships them to laboratories worldwide, exclusively for in vitro testing. Unlike existing tissue culture techniques based on the use of mixed nutrient additives such as calf serum, SkinEthic's reconstituted skin is produced in fully controlled conditions.

Good CARMA

These companies have access to the services of the Centre d'Animation Régional en Matériaux Avancés, which has 30 member companies in the Provence-Alpes-Côte d'Azur region.

"We assist in the development process, taking advantage of the equipment, staff and facilities of local engineering schools and university laboratories," says Jean-Claude Giannotta, director of CARMA. "We also do feasibility studies right up to the point of creating a prototype. We can also test the quality of a product or do studies on

specific problems. For example, if a process creates too much waste, we can give advice on solutions." CARMA also helps companies ensure that their products and processes conform to the appropriate standards and regulations. The companies mentioned above are just a few of those active in biomedical sciences in the region. Novatec, located in Grasse, is a world leader in its field of silicone tracheobronchial prostheses, with 70 percent of the world market. Dow Corning, a joint venture between Dow Chemical and Corning Glass, employs 60 workers at its European Healthcare Center in Sophia-Antipolis, which is dedicated primarily to research and the marketing of silicone-based products and technologies for the health-care industry.

"CÔTE D'AZUR: WHERE LIFE SCIENCES FLOURISH" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by Côte d'Azur Développement. Writer: Heidi Ellison, based in Paris and reporting from Nice. PROGRAM MANAGER: Bill Mahler.

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INTERNATIONAL

Victims of Kenya Bombing Line Up for 'Sorry' Money

The Associated Press

NAIROBI — They came, many of them soaked in a downpour, on crutches, tapping white canes and leaning on friends' shoulders.

After a 13-week wait, dozens of Kenyans received compensation Tuesday for injuries they suffered in the terrorist bombing of the U.S. Embassy in Kenya.

No one — not the victims, nor the officials handing out the checks — pretended it was enough.

"This money today is just enough to say, 'Sorry,'" said Susan Mutungi of the Kenya Red Cross Society.

Pius Maina, whose eyes were gouged out by flying glass, agreed. In his hand was a rain-speckled check he could not see for 300,000 Kenyan shillings (\$5,000), more money than the 64-year-old ever had before.

"This is too little, in fact," Mr. Maina said. "But it can help."

He has given up farming because he can no longer tend his crops, and plans to use his money to build small rental houses on his property. He still has two children to put through school, feed and clothe.

"I have a lot of difficulties," said Mr. Maina, who was in a bus outside the embassy when the bomb went off.

He was one of 49 people who crouched beneath dripping trees and slid

through mud in Uhuru Park in central Nairobi to collect checks from 242 million shillings in donations to the National Disaster Emergency Fund Committee.

The panel of businessmen, social workers and government officials is reviewing 2,514 compensation claims ranging from 300,000 shillings for those who were blinded or lost limbs, to 30,000 shillings for those who were badly cut and bruised.

A total of 213 people were killed Aug. 7, including a dozen Americans, and more than 5,400 people were injured, mostly passersby cut by flying glass. A near-simultaneous attack on the U.S. Embassy in neighboring Tanzania killed 11 people, all Africans.

So far, the committee has paid 194 death claims. Originally, families received 150,000 shillings each for compensation and burials. That figure will be supplemented to 400,000 shillings, said Robert Shaw, a fund spokesman.

In addition to a check for 300,000 shillings, the committee had a special gift on Tuesday for Catherine Bwire — baby clothes for her daughter, Jean Bahari was born 11 weeks after her 25-year-old mother was blinded in the blast.

Some of the most seriously injured were unable to leave hospitals to collect their checks.



Catherine Bwire, who was blinded in the Nairobi blast, using pins to learn Braille at a Kenyan institute.

Samuel Njenga said his wife of 16 years, Teresa Karanja, was lying paralyzed from the waist down in a hospital bed. On her behalf, he accepted top benefits, 300,000 shillings, just a third of the amount needed to send the computer technician and mother of four to South Africa for two months of rehabilitation. "Even if I started shouting in anger, it wouldn't do any good," Mr. Njenga said. "You just have to accept the situation, and keep on trying."

Rights Commission in South Africa Plans Inquiry on Racism in the Press

By Suzanne Daley
New York Times Service

JOHANNESBURG — Sending a shiver through many of South Africa's newsrooms, the country's Human Rights Commission has decided to open an investigation into racism in the press and has said it would use its powers of subpoena and arrest if need be.

The chairman of the commission, Barney Pitso, said he hoped that the inquiry would "generate debate and dialogue" among South Africans about the nature, meaning and incidence of racism in South Africa.

"Racism is endemic in South African society," Mr. Pitso said. "There is no reason to believe that the media are somehow insulated."

But some editors warned that the inquiry was a carefully timed attempt to keep news organizations from criticizing President Nelson Mandela's government on the eve of national elections next year.

Mr. Mandela and his deputy and likely successor, Thabo Mbeki, have repeatedly complained about the press, saying that the government's accomplishments get little attention while the country's problems are the subject of every headline. Indeed, the tension between the gov-

ernment and news organizations has often been severe. In a key speech last year, Mr. Mandela lashed out, saying the press exploited "the dominant position it achieved as a result of the apartheid system, to campaign against both real change and the real agent of change, as represented by our movement."

Some journalists said the commission's investigation was meant to harass those who covered news that put the government in a bad light.

"What this is, is a kind of racial McCarthyism," said Philip van Niekerk, editor of the weekly Mail and Guardian, which has often written about corruption in government. "They are putting the media on the defensive just as the election campaign gets under way."

The commission said it began looking at the issue because of a request made by the Black Lawyers Association and the Association of Black Accountants for bias inquiries into two papers, including The Mail and Guardian.

The groups pointed out that The Mail and Guardian had written 14 times about allegedly corrupt blacks but only four times about whites.

The commission then said it had decided that the issue of journalistic racism was not confined to just two newspapers.

Mr. Pitso dismissed any suggestion that the commission was acting in the government's interest. He said he believed news organizations would benefit from closer scrutiny so they could "sharpen their capacity to be responsive to the needs of the people and reflect the true nature of South African society."

Under apartheid all of the large news organizations were white-owned, but in recent years, with the breakup of South Africa's huge corporations, blacks have been able to buy large stakes in the press. The racial composition in newsrooms has been gradually changing, but most of the editors of large newspapers are white. Still, the outlets that reach the most South Africans are the government-owned radio and television stations.

Mr. Pitso said the commissioners would study the issue and announce the details in January. But exactly how they intend to conduct the inquiry is unclear.

He said he did not know whether they would examine racism in all aspects of the business, to include hiring practices, for example, as well as editorial content.

Mr. Pitso said he hoped his group would be able to do its work with journalists' cooperation. The commission, while it can compel witnesses to testify, does not have the power to punish, but can make recommendations to Parliament.

Jacques Medecin, Ex-Mayor, Dies

Reuters

PARIS — Jacques Medecin, 70, known as "King Jacques" during his 24-year reign as mayor of Nice died in Uruguay on Tuesday, hospital sources said. He never recovered consciousness after a heart attack on Sunday.

Mr. Medecin, who left France after serving a jail sentence for corruption, had governed Nice like a hereditary fiefdom before his conviction. He succeeded his father, who had been mayor of Nice for 38 years.

Mr. Medecin had been living in Punta del Este with his Uruguayan wife after being released from jail two years ago. He had been sentenced to serve three and a half years.

The rightist politician fled to Uruguay in 1990 and was extradited back to France in 1994. He was convicted of taking 4 million francs (\$800,000) in bribes from a road-sign company in exchange for public works contracts in the 1980s, and of swindling the Nice opera company.

"He will be missed," said the far-right politician Jean-Marie Le Pen, adding, "He was no more guilty than others."

Laurence Gandar, 82, South African Editor

JOHANNESBURG (NYT) — Laurence Owen Vine Gandar, 82, the South African newspaper editor credited with bringing investigative journalism to a country that desperately needed it, died Saturday in Pietermaritzburg. He had been suffering from Parkinson's disease.

As editor and editor-in-chief of The Rand Daily Mail from 1957 to 1969, Mr. Gandar was the first to turn a major South African newspaper into an instrument for crusading for human rights rather than a tool for selling advertising.

Doing so eventually cost him his job at the Johannesburg paper, after he oversaw a powerful series of articles, beginning in 1965, about appalling conditions for blacks in South African prisons.

Mr. Gandar was also the first editor to make a subtle change in his pages that infuriated thousands of white readers. He stopped referring to blacks as "natives" and instead called them "Africans."

Jean Dalrymple, 96, Publicist and Stage Producer

NEW YORK (NYT) — Jean Dalrymple, 96, who abandoned a nascent acting career to become a successful publicist, manager of concert artists and finally a dynamic producer of musicals and plays for City Center and other stages, died Sunday in Manhattan.

Miss Dalrymple's stature in the New York theater world was enhanced by her uncanny ability to lure just the right actor for a particular role at a price that City Center, with its limited budget, could afford. Her skillful productions nourished and entertained audiences there from the 1940s through the 1960s.

Among the center's offerings during her tenure as director of its theater and light opera companies were plays by Shakespeare and Shaw, Sartre and Tennessee Williams.

BRIEFLY

Israel Rejects Pollard's Plea

JERUSALEM — Jonathan Pollard, an American spy serving a life term in the United States for spying for Israel, lost a bid in an Israeli court on Tuesday to block the release of Palestinian prisoners until he is freed.

In a petition to Israel's High Court of Justice, Mr. Pollard said that President Bill Clinton promised during the U.S.-mediated Middle East peace negotiations in October to free him in exchange for Israel's release of hundreds of Palestinians. Mr. Clinton denies promising Mr. Pollard's release but pledged to review his case.

A spokesman for the court said it accepted the Israeli government's argument that no such commitment, on the sidelines of the Israeli-Palestinian peace accord reached at the summit meeting, had been given. (Reuters)

Attackers Kill 8 in Algeria

ALGIERS — Armed men massacred eight people and wounded 10 others in an overnight attack south of Algiers, authorities said Tuesday. The attackers slit the throats of most of the victims and burned their houses, according to hospital workers.

The attack took place about 150 kilometers (about 90 miles) south of Algiers near Ain Defla, authorities said in a brief statement on state radio. There was no claim of responsibility and no further details were provided.

The attack occurred less than five weeks before the start of the Muslim holy month of Ramadan, which has been marked by a surge in violence in Algeria since 1992. (AP)

Mine-Clearing in Nicaragua

MANAGUA — Peasants without any training are being used to disarm land mines planted in Nicaragua during the civil war of the 1980s, an Organization of American States official said.

Large property owners are hiring peasants for little money to clear mines so land can be used for farming. Sergio Camargo, the OAS representative to Nicaragua, told the organization's secretary-general, Cesar Gaviria, that about 90,000 land mines remain despite efforts by the Nicaraguan Army to remove them. Flooding caused by the hurricane designated Mitch has also caused some buried mines to surface. (AP)

DYING TO TELL THE STORY

What drives journalists to put their lives on the line?
A special two hour documentary on CNN International.

Dying To Tell The Story centres on the life and death of Dan Eldon, a 22-year-old Reuters photographer who, along with three other journalists, was stoned to death in Somalia in 1993.

His sister Amy takes a journey back to Somalia to understand the reasons for her brother's death and to learn why other journalists choose such dangerous assignments. The programme features interviews with frontline journalists including Christiane Amanpour and Martin Bell as well as photo-journalists Mohammad Shaffi and Carlos Mavroleon.

Dying To Tell The Story will be broadcast on CNN International on Friday December 4th at 22.00 CET and again on Sunday December 6th at 20.00 CET.



AVAILABLE ON CABLE AND SATELLITE

INTERNATIONAL

Back in Iraq, UN Inspectors Are Met With Familiar Taunts in Press

By Douglas Jehl
New York Times Service

AMMAN, Jordan — As United Nations weapons inspectors prepared to resume their work in Iraq, they were greeted with fresh denunciations in the official Iraqi press on Tuesday, despite Baghdad's new pledge to demonstrate full cooperation.

The criticism revealed no real change in tone toward inspectors, whom Iraq has long labeled as spies and spies. It may have been intended primarily for domestic consumption, but it also showed that Iraq was hardly ready to roll out a welcome mat.

The last time Iraq permitted UN inspectors to conduct anything more than monitoring operations was in early August, more than 100 days ago. More than 80 of the inspectors returned to Baghdad on Tuesday morning after they pulled out last week to await the outcome of the impasse. They expressed hope that Iraq would indeed make good on its promise to allow them to conduct unfettered work.

For now, however, the clearest clue about the Iraqi attitude may have been the Iraqi newspaper headline that taunted the chief weapons inspector, Richard Butler, as a "mad dog."

As the inspectors arrived on a UN C-130 plane on a flight from Bahrain to an air base outside the Iraqi capital, a UN spokeswoman, Caroline Cross, offered a forecast that was carefully guarded.

"We're looking forward to a professional and productive relationship with the Iraqi authorities over the next few days," Ms. Cross said, "and, you know, time will tell."

The UN inspectors were not scheduled to resume work until Wednesday morning. But UN officials say it will almost certainly be several days before they might be willing to undertake the kinds of intrusive inspections that have aroused Iraqi ire in the past, and which Baghdad had banned on Aug. 5.



Ms. Cross said the inspectors hoped to return to the field "as soon as possible."

But she said that their more pressing priorities would be to test communication equipment and otherwise to reestablish the infrastructure they abandoned after Iraq's decision on Oct. 31 to cut off cooperation altogether.

But with American and British armed forces still poised to strike at Iraq if its officials block inspections again, the inspectors' return brought with it an air of some renewed tension.

Doubts Over Compliance

Barbara Crossette and Steven Er-

langer of The New York Times reported earlier.

The United States, its allies and past defenders of Iraq say that they do not expect President Saddam Hussein to cooperate with UN weapons inspectors, and that if he breaks his promise it will set off a military response without a Security Council debate.

Although President Bill Clinton stayed his hand over the weekend, in part because of his concern about losing international support for an attack on Iraq, there was an unusually strong consensus Monday that American and British bombing was almost inevitable.

American and UN officials, along



Left, weapons inspectors from Unscm arriving Tuesday at the United Nations headquarters in Baghdad upon their return to Iraq. Above, Jordanian truck drivers waiting to cross the Iraqi border at Ruweishid.

with diplomats from a variety of countries, including some that have been sympathetic to Iraqi arguments in the past, said the respite was temporary. The situation is markedly different from past crises, the officials said, with Mr. Saddam having no further room for maneuver in the Security Council.

Most officials said they expected the real test of Mr. Saddam's willingness to comply to come in the next two or three weeks. They said that would occur as soon as the chief inspector, Mr. Butler, can assemble the experts he needs to conduct surprise inspections at the sorts of sites from which Mr. Saddam has been barring the UN specialists.

"We're setting off into some pretty important territory," Mr. Butler said in an interview in New York. "It is well understood by all concerned that this is not ephemeral. This is real. This is serious."

American and British forces are standing by, in new locations within striking distance of Iraq, and could be sent to combat in hours, U.S. officials said in Washington.

"The world is watching Saddam Hussein to see if he follows the words he uttered with deeds," Mr. Clinton said in brief remarks Monday. "Our forces remain strong and ready if he does not."

Mr. Saddam could "comply and give up his weapons of mass destruction," a

senior U.S. official said Monday. But he called that possibility "highly unlikely."

"It's more probable he will not comply and there will be a confrontation," the official continued. "But it will be under circumstances of our choosing. There's no question in my mind that when we act we will do so in such a way that it will be sustainable internationally and domestically."

Mr. Saddam averted a U.S. attack over the weekend by promising once again to cooperate fully with the United Nations Special Commission, known as Unscm, and the International Atomic Energy Agency to let them inspect whatever sites they choose and to hand over crucial documents on Iraq's secret biological and chemical weapons.

Mr. Butler said he expected to restart the comprehensive monitoring of Iraqi sites on Wednesday, with inspectors taking air, water and soil samples and repositioning and checking cameras.

Challenge inspections, in which experts armed with clues demand entry to new sites to check for prohibited arms, components or documents, will follow as soon as Mr. Butler can assemble international teams of specialists.

Mr. Butler said he hoped to concentrate initially on missile systems, where only a few issues remain to be settled, and on chemical weapons.

More is known about Iraq's chemical weapons program than, for example, its biological weapons. American and UN officials said that Unscm, in particular, wants two documents—one on chemical weapons development, found last summer but seized by the Iraqis, and one on biological weapons, which Unscm officials know about but have never seen.

The International Atomic Energy Agency will also send additional inspectors to Iraq, perhaps this week.

The inspectors of Unscm now have more support from the Security Council than they have had in nearly two years, another senior U.S. official said.

Arafat Retracts Warning, Satisfying Netanyahu

Land-for-Security Deal Appears Back on Track

Compiled in Our Staff From Dispatches

JERUSALEM — The Israeli-Palestinian peace deal appeared to be back on track Tuesday after Yasser Arafat, the Palestinian president, met Israel's demand to retract warnings over possible renewed armed struggle.

He said he reiterated "that any problems concerning final-status negotiations will be resolved through amicable and peaceful ways and through negotiations, but not through any other means."

"We will continue to cooperate to confront any violence and the use of force," he said in remarks that Palestinian officials said had been coordinated with Israel.

Prime Minister Benjamin Netanyahu, who had threatened to delay a West Bank land handover scheduled this week, called the statement a positive step.

"I certainly view in a positive light the statements made by Chairman Arafat," Mr. Netanyahu said in Israel's Parliament, which was expected to ratify the Wye River land-for-security plan later Tuesday.

He said he welcomed Mr. Arafat's commitments to reach a permanent peace agreement with Israel through peaceful means alone, his rejection of violence and his pledge to "cooperate against violence and terror."

Israel postponed from Wednesday to Thursday a cabinet meeting called to approve the first stage of the pullback, saying that it wanted to see if Palestinians had lived up to other obligations under the accord.

A statement from the prime minister's office said that Israel wanted assurances that the Palestinians had published a decree against anti-Israeli incitement and against possession of illegal weapons.

But a top PLO official said that details of the redeployment had been finalized. "The Israeli government is going to implement the first stage of the further redeployment on Friday," said the official, who declined to be identified.

In a sign that indicated the agreement was moving ahead, the public security minister, Avigdor Kahalani, said he would order the release of the first group of Palestinian prisoners "in the coming days" in keeping with the accord. A PLO official said 250 Palestinians would be released in the first stage.

In a radio address to Palestinians on Sunday, Mr. Arafat said "our guns are ready" if anyone tried to hinder Palestinian rights in Jerusalem.

The future of Jerusalem, one of the most emotional and contentious issues facing Israel and the Palestinians, is to be decided in so-called final-status talks. Under the Wye accord, Israel is to give a further 13 percent of the West Bank to the Palestinians over the next several weeks in return for security guarantees and political moves.

The armed forces' chief of staff, Major General Shaul Mofaz, said that most of the land changing hands would be in the northern West Bank, around the Palestinian town of Jenin.

The United States, which is trying to keep the accord on track, criticized Mr. Arafat's earlier remarks and said it would be in touch with the Palestinian leader to make its position known.

But Washington also told Israel that it was obliged to carry out the deal and upbraid Foreign Minister Ariel Sharon for urging Jewish settlers to grab land in the West Bank.

In the West Bank, the army began fortifying settlements that will abut

Palestinian areas after the handover. The crisis over the remarks made by Mr. Arafat during the weekend was the latest flare-up to plague the U.S.-brokered land-for-peace accord signed last month in Washington.

Mr. Arafat also threatened to declare Palestinian statehood in May.

A Palestinian negotiator, Saeb Erekat, said that the Palestinians have met all their commitments so far, such as resuming security cooperation with Israel. Later this week, the Palestinians plan to announce the legal framework for confiscating illegal weapons and on Nov. 23, a committee reviewing cases of incitement will meet for the first time, Mr. Erekat said.

According to the peace accord, the Palestine National Council is expected to address those sections of the Palestinian charter that call for Israel's destruction when it convenes in Gaza in December. (Reuters, AP)

IRAQ: Blair Says Britain Has Evidence of Growing Opposition to Saddam in Baghdad

Continued from Page 1

mons that Britain would join the American effort to strengthen coup-prone Iraqi dissident groups, a move that represented a shift in British policy from one of containing Mr. Saddam to one of removing him.

Mr. Blair said Tuesday that he fully supported the decision to call off the air strikes Saturday, and he discounted the view that the events of the weekend left Mr. Saddam more forceful than ever. Mr. Blair had given the go-ahead for British Tornado fighter-bombers to join American aircraft and cruise missiles before the strikes were called off after the Iraqi leader sent word to the United Nations that he was prepared to resume cooperation with weapons inspectors.

"A lot of people, including some heads of government, think that Saddam Hussein wanted us to strike, that it would boost his position enormously, that he was really encouraged by the possibility

and that we were playing into his hands if we struck," Mr. Blair said.

"I didn't buy any of it," he said. "What the weekend proved is that the thesis is complete nonsense. This is a dictator who, when he saw we really were prepared to take action, completely crumpled. Now no one can seriously think in terms of the stream of clarifications, written and oral, that they were giving

that they were anything other than pretty desperate not to be attacked."

Mr. Blair pointed to what he called another "lesson for the future" drawn from the experience.

"There were people, even on our own side, who were asking, 'Do you really intend to carry this thing through?'" he said. "Well, I don't think there can be any doubt about that anymore. We were literally minutes away from the attack

taking place and the authorization had been given. So, I think all those things put us in a stronger position for dealing with this thing in the future."

On the subject of whether there was any hope the Iraqi leader might now keep cooperating with the UN inspectors, Mr. Blair said:

"Again, let's be very blunt here. Nobody relies on Saddam Hussein's good faith because he doesn't have that."

Asked about accusations that France might have tipped off Mr. Saddam to the timing of the attacks, Mr. Blair said: "The thought is there on paper, so obviously I have read it. I simply don't know if that is the case, and I hope it's not the case."

As for monetary union, he said his government was now bent on preparing Britain for the euro's beginning next year and for the day when a promised referendum is held in Britain on whether the country should forsake the pound for the new currency. This stepped-up activity in recent weeks has been widely interpreted as signaling acceptance of the decision that Britain's entry is no longer in doubt, just its timing.

Mr. Blair said the timetable still remained some point after the next national election, or after 2001. The reasoning behind this is that the British economy is performing better than most economies in Europe, and that convergence at the moment would be detrimental to London.

"Monetary union cannot be conceived of except politically, but it can't work except economically," Mr. Blair said. "So, we have set the test for us, we've eliminated all the barriers of principle, we're preparing the country, we're out there, we will publish in the next few weeks a national changeover plan to show people how it could work, but we have to reserve that final position until we see the clear economics."



An Israeli soldier walking past a bulldozer carrying an uprooted olive tree as Palestinians' land was cleared Tuesday for a bypass road south of Nablus. These roads must be built under the new land-for-security accord.

ITALY: D'Alema Faces Pressure Over Kurd

Continued from Page 1

Denizkard, said his country would soon move to formally abolish capital punishment, which has not been applied since 1984.

There is considerable sympathy for the Kurdish separatist movement in Italy, which over the past two years has seen a dramatic increase of Kurdish refugees wash up on its Adriatic shores. So far this year, Italy has granted political asylum to more than 500 Kurdish refugees. Communist and Green members of the Italian Parliament have twice invited Kurdish parliamentarians-in-exile to meet with them in Rome.

Mr. Ocalan, who was expelled from Syria in October and unsuccessfully sought asylum in Russia before flying to Rome, seems to have felt he had a better chance of a welcome in Italy than most other European countries.

The U.S. State Department on Tuesday made clear it did not want Italy to open its arms to Mr. Ocalan. "The United States believes he is a terrorist," a statement drafted in Washington said. "In our view, he should be denied asylum."

Human-rights organizations, which have often denounced the oppression of

Kurds by Turkish troops, have also criticized Mr. Ocalan and the Kurdistan Workers Party for killing civilians. Mr. Ocalan, who has in the last few years sought to legitimize his organization, has called unilateral cease-fires against Turkish troops on three different occasions. The Turkish government has refused all such overtures.

Germany, which issued a warrant for Mr. Ocalan's arrest in 1990 on charges of murder, has not yet requested extradition.

Although such a step by Germany would help Mr. D'Alema wriggle out of his quandary, Germany's new Social Democratic prime minister, Gerhard Schröder, is unlikely to make a move that would increase tensions with Turkey—and among the millions of Turks and Kurdish refugees in Germany.

Suicide Bombing Wounds 6

A Kurdish guerrilla killed herself and wounded six people in a suicide bomb attack outside a police station in southeast Turkey on Tuesday, Reuters reported from Ankara.

"A woman terrorist set off a bomb strapped to her body as she was crossing the road outside the gendarmerie headquarters around 9 A.M.," said Ta-



Prime Minister D'Alema listening to a debate Tuesday in Parliament.

ceetin Ozeren, governor of Yuksekova town where the attack took place.

Mr. Ozeren said the explosion wounded four noncommissioned officers and two passers-by. "A 13-year-old boy and one of our officers are in a serious condition," he said.

Mexico City Finds Crime Marches On, And Faster

By Julia Preston
New York Times Service

MEXICO CITY — At the beginning of this month, the Mexico City government turned over control of the police to civilian officials and announced a war on crime. Since then, the Mexico City police chief has announced with great annoyance, that the rate of violent crime has soared 25 percent.

The reason? The capital's gang chiefs are waging a war of their own to show who is in charge.

"The people who control crime in this city sent out their flunkies to increase the crime rate in a brutal way, to signal that they are not willing to accept any systematic control over their activities," the chief, Alejandro Gertz Manero, said at a hastily summoned news conference.

He spoke with the urgency of a field commander summoning the citizenry to arms.

"Organized thugs and their likely accomplices inside our force have declared war on this society," said Mr. Gertz, a former university rector who took over the police force two months ago.

"I told every one of our commanders that the criminals' challenge is intolerable. We cannot put up with it one minute more."

He said he told the 54 city precinct commanders that he expected a clear decline in crime in coming weeks and would fire any one of them who fails to meet this goal.

Mexico City residents are already so beleaguered by rampant muggings, break-ins and car thefts that they hardly noticed the sharp increase in these crimes last week.

But police figures from Nov. 5 to 11 showed that 2,962 violent crimes were reported in the city, up one-quarter from the week before.

In one case, a woman was mugged and beaten at the main entrance to city police headquarters.

This month, Mr. Gertz enacted reforms more radical than any tried before. He gave control of the police to civilian officials who head the city's 16 boroughs. For the first time, Mr. Gertz forced all officers to punch time clocks.

He fired 16 chiefs in high-crime precincts and established local civilian review boards and citizen hot lines to monitor police conduct.

He also imposed competitive bidding for all contracts to supply uniforms, motorcycles, helicopters and stigmatists.

City officials said they believe the combined program brought tight new monitoring of officers' movements and cut deeply into criminal bosses' ability to command local police squads.

Also on Monday, Interior Minister Francisco Labastida announced the establishment of a 10,000-troop national police force to take the place of the "federules," the catch-all word in Spanish for the federal highway, immigration and customs police.

Members of the old federal police will be subjected to drug and psychological tests as well as a criminal background check, and only those who pass will be admitted to the new force, he announced.

Calling the current federal police "absolutely insufficient," Mr. Labastida said that 94 percent of all violent crimes reported in Mexico were never solved or prosecuted.

EDITORIALS/OPINION

Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Starting Again in Iraq

Targeting Saddam

So here we are again. The United States musters its forces and rallies its allies. Saddam Hussein promises to cooperate, the United States re-leashes its forces. This time is different, the Clinton administration says, because the Iraqi dictator is more isolated — and because if he breaks his promise, the United States will not hesitate to use force. "If it doesn't work, we are prepared to act, as the president indicated," national security adviser Sandy Berger said on Sunday. That sounded a lot like what he said eight months ago: "Failure to allow the inspectors to go where they want, when they want will result in the use of serious force."

What is different this time around is President Bill Clinton's hints of a new strategy aiming at the overthrow of Saddam Hussein. The dictator represents a threat to his region and the world, Mr. Clinton said on Sunday. The best way to address that threat is through a "new government" in Baghdad. The United States will now "intensify" its efforts to work with Iraq's opposition.

Mr. Clinton's assessment of Saddam Hussein is correct. But until recently the administration did not see much merit in targeting his regime. Back in March, Mr. Berger said of a direct campaign, "I am convinced the costs — in blood, treasure and political isolation — are not justified." Of war by proxy, he warned of "the dangers of starting something we were not prepared to finish." Has Mr. Clinton now re-weighted those dangers, or was he speaking out of frustration at having been played by Saddam Hussein again? Is he really committed to helping the opposition, or was he trying to put the best spin on the latest standoff? If he is serious, it means a sustained commitment and a will-

ingness to use U.S. troops at least in a supporting role. If he is not, it is worse than reckless to embolden those who may expect U.S. assistance when none may be forthcoming.

The administration's claims of success in this latest round find themselves burdened by its record of deception, bluster and inconsistency. Not only tactics but goals, too, have shifted with time. Last February the administration also claimed to have won a clear victory when in fact it had accepted serious infringements on UN arms inspectors' freedoms. It claimed to be supporting an aggressive inspections regime when in fact it was pressuring the inspectors to avoid confrontations with Saddam Hussein. After Iraq booted the inspectors in August, the administration shifted its stated goal from depriving Saddam of his weapons to maintaining the economic sanctions on his regime. U.S. officials began questioning an inspection regime's chance of success.

Now the administration is back to championing access for inspectors as the most important goal and to deriding the efficacy of bombing. If the inspectors truly are allowed to do their job, with Iraqi cooperation, that certainly will be preferable to inconclusive bombing. But Saddam Hussein has made clear that maintaining and acquiring nuclear, chemical and biological weapons are his primary goals, more important to him than the lifting of sanctions, the welfare of the Iraqi people or anything else. Unlike other tyrants today, he also has been willing to use such poison weapons.

He may tolerate what Scott Ritter, the disgruntled former weapons inspector in Iraq, called the illusion of arms control, but he will part with his weapons of mass destruction only when compelled to do so.

—THE WASHINGTON POST.

Inspection Goals

The days ahead must see the resumption of an aggressive program of weapons inspections in Iraq. That is the only way to test Saddam Hussein's latest pledge of full cooperation with United Nations investigators responsible for uncovering and eliminating Baghdad's chemical and biological weapons and missile delivery systems. There can be no return to last spring's misguided American policy of reining in the inspectors to head off objections from Iraq or its allies.

Inspections can be a more effective disarmament tool than air strikes, but only if UN specialists can look wherever they need to and get honest answers about what Iraq has done with its mass destruction weapons, many of which it acquired before the Gulf War. The benchmarks that President Bill Clinton set on Sunday make clear what Iraq has to do. It must give the inspectors access to every laboratory, factory, presidential palace, computer hard drive and desert hiding place they need to see. It must hand over every pertinent document that the inspectors request. It must satisfactorily answer all the inspectors' questions about what has become of weapons ingredients. Iraq must also accept the inspectors' independence from political control, and fully abide by all Security Council resolutions requiring the destruction of its terror weapons and long-term monitoring of its weapons activities.

Much of the drama surrounding the inspections has come from Iraqi attempts to bar investigators from entering buildings where crucial records or other evidence may be hidden. Sur-

prise inspections and vigilant monitoring of weapons plants remain essential. An intensive effort must now be made to track any equipment that may have been moved or modified while the inspectors were kept at bay in recent months. Iraq's promises must also be tested by early visits to buildings run by Iraq's Special Security Organization and Special Republican Guards where Baghdad's weapons concealment effort is believed to be centered.

But an even bigger problem has been Iraq's withholding or falsification of information about the biological and chemical ingredients it has assembled over the years. Iraqi authorities must be asked directly about some 2,000 gallons of deadly anthrax bacteria and nearly 5,000 gallons of botulinum toxin that have never been adequately accounted for. They need to explain what has become of this material and back up their assertions.

Baghdad has also failed to produce records for its production of VX nerve gas for part of 1989 and all of 1990, a period in which it is known to have been running production lines in preparation for and after the invasion of Kuwait. Those records must now be handed over. Iraq must also account for some 200 tons of missile propellant it bought from the Soviet Union that can be used only to power the kind of long-range missiles that Baghdad is no longer allowed to possess.

If these answers and access are not provided, Washington will have to turn anew to the option of military force. In the absence of effective inspection, the only way to control Iraq's weapons development is with a sustained campaign of bombing and missile strikes.

—THE NEW YORK TIMES.

Other Comment

A Worldwide Failure

Countries from Russia to Malaysia are being swept by huge waves of rejection of the American form of capitalism. They have discovered that the recommendations of the IMF, the World Bank, AID, and the Jeffrey Sachs of the Western world have brought economic chaos, misery, loss of real income, dilution of assets (especially pensions), falling health standards, indignity, massive organized crime, large-scale corruption...

As of 1998, many people in the countries that until recently were counted as newly Americanizing are now demanding — and getting — a change of course, to better protect their com-

munities from financial if not economic globalism. The reasons for the worldwide failure of American capitalism and the rising backlash against it are numerous. Most important is the fact that many of the societies involved do not have the cultural, social and political infrastructure a free economy requires. In these countries the most obvious expression of this deficit is the large-scale lawlessness that prevails.

More is required than a few new laws, deregulation and currency convertibility. For a people to be basically law-abiding requires a mentality, personality and culture that it took the West centuries to evolve.

—Antal Ertse, in the fall issue of the Responsive Community.

Threaten and Suspend Air Strikes Next Time, Too

By Edward N. Luttwak

WASHINGTON — The decision to call off the air offensive against Iraq can be seen as the first public act of the new "post-political" Bill Clinton. For the first time in his adult life, Mr. Clinton is not running for office or preparing to do so. He can therefore risk making foreign policy decisions that displease the public.

Because it is generally expected that Iraq will still come up with some excuse to block United Nations weapons inspectors, Mr. Clinton has been criticized for allowing Saddam Hussein to outmaneuver him once again. This accusation will undoubtedly resonate with the public, which tends to see the confrontation with Iraq as a struggle of wills.

In fact, the president has won another victory over Iraq.

For Mr. Clinton's entire presidency, Iraq has remained under a United Nations embargo that largely keeps it from exporting oil. This has made it impossible for Saddam Hussein to rebuild and modernize his war machine at a time when advanced weapons are easily available from stockpiles in the former Soviet Union and from underemployed military industries in France, Brazil and elsewhere.

Saddam has also lost many ballistic missiles, chemical agents and biological and nuclear weapons installations that inspectors have found and destroyed since the Gulf War, in spite of every form of Iraqi obstruction, concealment and deception.

Both the embargo and the inspections are the result of the tenuous but sufficient consensus that the United States has been able to preserve in the Security Council, despite French and Russian eagerness to lift sanctions and China's opposition to any use of force by the United States.

An American air attack this past weekend might have made Mr. Clinton look strong, but it would also have shattered this fragile consensus. (The United States could use its veto to keep the sanctions in effect, but it is best to keep that as a last resort.)

Today Saddam Hussein can boast of another hollow diplomatic victory, but the embargo remains firmly in place. If after a few days, weeks or months he tries to obstruct the inspectors, the United States should gear up

for an attack once again, then call it off when the Iraqis give in one more time. Saddam would thus win another game of daring brinkmanship, but he would still be unable to start rebuilding his military strength.

That is what counts in the long run. It is also the main concern of the foreign policy establishment and the leaders on Wall Street. (Note that the Dow Jones industrial average rose above 9,000 points on Monday for the first time since July.) These are the views that matter to the post-political Bill Clinton, who is already thinking of his post-presidential career.

The writer, a senior fellow at the Center for Strategic and International Studies, contributed this comment to The New York Times.

No, Here Was a Chance to Smash Saddam, and Clinton Lost It

By Charles Krauthammer

WASHINGTON — Saddam Hussein once again plays the pull-America's-chain game, and Bill Clinton meekly permits a return to the status quo ante.

Saddam expels United Nations inspectors, spurns previous agreements and brings the United States to the brink of war. He does this with impunity. Indeed, with each pull of the chain he gains.

Last February, he got Kofi Annan to neuter the UN arms inspection regime. This time he got Mr. Annan's pledge to work to lift the post-Gulf War economic sanctions.

What is wrong with this crazy game is not the injustice (justice took a holiday when George Bush allowed Saddam to survive the Gulf War) but the incentive. It is perverse to reward Saddam. It guarantees that he will do it yet again.

Saddam gains, too, by America's loss. And the loss is considerable. Not only in treat-

ure — for the third time in a year, a \$1 billion-plus buildup — but in morale. There are only so many times you can send fighter pilots to the brink, put warships on battle alert, recall B-52s as they approach enemy airspace without demoralizing the troops.

And nothing so demoralizes as a show of irresolution at the top. Mr. Clinton had an extraordinary opportunity to strike a massive blow against Saddam, and he flinched.

As in 1990, Saddam badly miscalculated. The expulsion of the UN inspectors was such a blatant provocation that it left him totally isolated. He lost Russia, China, France and then, fatally, the Arabs.

The crucial event was the unusually strong resolution coming from eight Arab states (Egypt, Syria, Saudi Arabia and five Gulf states) blaming the crisis and all its consequences

on Saddam. Their declaration that whatever disaster befell Iraq would be on Saddam's head was a bright green light to Mr. Clinton from quarters that for years had been flashing nothing but yellow and red.

Never in the years since the end of the Gulf War have conditions been better to severely weaken, if not bring down, Saddam Hussein. Compared with 1991, his position is militarily and politically weaker, and with Westerners having spent seven years roaming around his country, Western intelligence is correspondingly better.

Unable to distinguish a crisis from an opportunity, Mr. Clinton blew this extraordinary opportunity. Saddam's overt dismissal of the UN inspection regime had presented him with a clear, understandable, universally accepted casus belli. It is now gone.

Mr. Clinton now claims that

nothing is lost. If Saddam does not live up to his word, and the inspectors are obstructed, Mr. Clinton says he is prepared to strike again.

Fat chance. If Mr. Clinton was reluctant to attack when he had unanimous international support and a clear casus belli, what are the chances that he would go to war if chief arms inspector Richard Butler is, say, delayed entry to a wing of a pharmaceutical plant? Risk 10,000 Iraqi dead (the U.S. military's estimate of casualties from an initial strike) over some obscure, messy inspection "modality"? The very idea is ridiculous.

The moment has passed. And for what? For a return of the UN Special Commission? By the Clinton administration's own admission, Unscm has been increasingly ineffectual. Since Mr. Clinton's last great self-proclaimed victory over Saddam (Mr. Annan's February mission to Baghdad),

Unscm has been an empty shell. It is supposed to be a means to the end of dismantling Iraq's weapons of mass destruction. Does anyone doubt that it will be thwarted again? The end of U.S. policy is, to the greatest degree possible, to disarm, disrupt and destroy Saddam's regime. A relentless air campaign had a good chance of doing that.

Yes, 40 days of air war did not do it in 1991. But Saddam was much stronger in 1991. And the fact that this time around he was so desperate to avoid the coming American attack belies the defeatism in Washington who think it would have failed or even backfired.

Saddam obviously did not think so. He maneuvered his way out of this crisis because he genuinely feared the possible chain reaction of a massive American attack. His fear was America's opportunity. Mr. Clinton let it pass.

Washington Post Writers Group.

Excess Capacity and Too Much Investment in America?

By Charles Clough

NEW YORK — Last summer's collapse of the financial markets is fading into distant memory. The Fed has become more accommodating, and investors are again pouring money into stocks. But before we assume that the American economy is out of the woods, we might ask why the markets so completely lost their bearings in the first place.

Two third-quarter economic statistics hold a clue. The overall economy looked fine, but the forward-looking components of GDP, profits and investment, declined for the first time since 1991, a recession year.

Consumer confidence and job growth are weakening, and capital spending has lost momentum. Inventories — of automobiles and nondurable goods, of commodities like copper and nickel — are growing.

Is all of this merely fallout from Asia's troubles, or are there domestic problems that may need working out?

There is evidence that over-investment, widely seen as the basic cause of Asia's fall from economic grace, could be a problem for the U.S. economy as well. Simply put, excess ca-

capacity for everything from steel to semiconductors suddenly emerged on the Asian landscape. Could Asia's problems be developing in America, perhaps in miniature?

Immense amounts of capital have been available in the last few years. American businesses became more efficient and generated huge amounts of free cash. They have used that cash to finance one of the greatest investment booms ever. Investment has grown 70 percent faster than final sales during the past three years. It has been the engine that has produced jobs and growth.

There is a downside, however. Investment increases production capacity, and now excess supplies are proliferating. More than 20 new models of the ubiquitous sports utility vehicle were introduced in 1998 alone, for example.

Retailers and financial institutions have added capacity faster than Americans can either spend or save. Catalogue retailers are building free-standing stores while retail chains invade the catalogue

business. Industrial production rose by 25 percent in the last five years, yet the percentage of manufacturing capacity that is actually being used is flat.

Telephone service providers have multiplied as local phone companies vie with long-distance suppliers and newly minted "competitive local exchange carriers" to build telephone systems and interrupt your dinner with sales pitches.

In reasonable amounts, investment is healthy. It enhances productivity and profits. But, like anything else, there can be too much of it. Excess capacity eventually drives down prices, and profits begin to suffer.

For much of the recent expansion, businesses could finance capital expansion, cover dividends and have cash left over. Ominously, in 1997 that began to change. Heavily committed to capital spending, businesses began to hemorrhage cash, and many must now borrow heavily to plug the deficit. Since 1996, nonfinancial corporations have doubled the amount of new bonds they are issuing, to \$360 billion annually.

Who is lending the money? The answer may come from the nation's \$200 billion "current account deficit."

Economies run current account deficits when they spend more than they save. The United States has been running them off and on since 1973; so they are nothing new. Earlier deficits, however, were generated by the federal government, which overspent its tax receipts and made up the difference by authorizing the Treasury to issue notes, bills and bonds.

As it turned out, those deficits caused little damage to capital markets, and interest rates fell sharply in the 1980s. Foreign central banks, particularly the Bank of Japan, were willing to step in and buy those Treasury securities. Treasury issues are safe, they offer a high yield in a reserve currency, and they are highly liquid.

Today's external deficit is far more troubling because it is being run up by American corporations, not by the government. In other words, American business must attract more than \$200 billion of foreign investment into corporate bonds and stocks.

Suddenly there are business risks, quality risks, liquidity risks, a kaleidoscope of risks never faced by a buyer of Treasuries. Foreign investors under-standably may balk at such challenges, particularly if American profits continue to slump.

Curiously, hedge funds helped for a while. By borrowing at 1 percent interest in Japan and buying American corporate and mortgage securities, such funds recycled Japan's enormous savings to the American corporate and mortgage borrower. They financed home mortgages that substantially exceeded the property's value — the type advertised by sports personalities — and the extra business outlet, or warehouse. They reduced capital costs to these sectors, no doubt extending the American capital spending boom and the economic expansion.

Now the difficulties that hedge funds have encountered have left them diminished, and the question is: Who will take up the slack? For the moment, it seems to be the banks. Bank loans to securities buyers are up 60 percent from a year ago, and banks have been buying huge amounts of corporate stocks and bonds. This has helped the financial markets, but I doubt that it is sustainable.

The most likely outcome is that excess capacity and weak profits will kill off the capital investment spurge. That would reduce corporate borrowing needs, allow interest rates to fall and reduce the current account deficit. However, since growth in employment and spending depends on investment, the economy could falter, further dimming the already weak profit picture for 1999.

The writer is chief investment strategist at Merrill Lynch & Co. He contributed this comment to The New York Times.

China Is Right to Enforce Regulation of Foreign Debt

By Merton H. Miller and Gangliang Qiao

HONG KONG — The recent closure of Guangdong International Trust & Investment Corp. sent shock waves through the financial community in Asia. The once seemingly impregnable government-linked company was shut down by China's central bank after it ran up debts to foreign and Hong Kong banks that it could not repay. Estimates of the amount owing range up to \$3 billion.

The immediate question confronting lenders is whether the Chinese government will stand behind the debts of Guangdong International and other "trust and investment" companies that may fail in the future.

China has long sought, through a system of registration disclosures and approvals, to restrain financial institutions, other enterprises and local-level entities from incurring hard currency debt. The restrictions on foreign indebtedness are in laws and regulations issued by the State Administration of Foreign Exchange since the late 1980s. These regulations require approval for foreign indebtedness.

Since 1987, all borrowers (except certain so-called foreign-invested enterprises) that borrow abroad must get approval from the Exchange within 15 days of the execution of a loan agreement. Only after the Exchange has reviewed and approved the relevant documents would it issue foreign debt registration certificates. These registrations served to ensure timely servicing of debt and the necessary conversion of China's currency into foreign exchange.

Legitimate debts approved by the Exchange are not at issue. China says they will be

honored as promised. But many foreign lenders in the heady years of finance and investment in China failed to take care that their loans were registered with the Exchange. That failure may be the result of ignorance of the foreign debt registration requirements. More likely, the lenders, often egged on by local Chinese officials, ignored the rules, despite repeated warnings by the central bank.

Regardless of why foreign lenders failed to register, they should not expect to hold the central government responsible for their failure. The central authorities cannot act as a guarantor of last resort for money borrowed by local actors without central government authority.

Government repayment now of such unregistered debt would establish a dangerous precedent. It would amount to bailing out lenders who have failed to exercise prudence and sound business judgment. Rescuing them would suggest that in China laws and regulations can be ignored with impunity.

The closure of Guangdong International should be viewed as a positive sign of the central government's determination to clean up the mess in the financial sector and hold everyone to the objective dictates of the rule of law. Beijing's refusal to guarantee repayment of the unregistered foreign debt sends a message that it is serious about enforcing its laws and regulations. The days are over when anything went as long as it brought in foreign capital.

But taking a tough stand by not bailing out foreign lenders

is not enough. Beijing should treat domestic financial institutions, including its troubled banks, the same way.

It is encouraging to learn that China's central bank will no longer automatically bail out bankrupt financial institutions. We also welcome hints that Beijing will now allow more debt-laden banks to close. The previous closures of China Venture-Tech Investment Corp. and Hainan Development Bank have served as examples of the central government's determination to improve the banking system.

To make these and other reforms of lax lending and banking practices effective, certain procedures should be established requiring financial institutions to recognize their bad loans.

Given the lack of alternatives to traditional bank financing, China, like many other countries, has been reluctant to force its banks to write off bad loans. The regulators fear that recognizing such loans would impair the capital of the banks and create a serious liquidity freeze or credit crunch, like the one now afflicting Southeast Asia.

But continuing to lend to insolvent borrowers, so that they can pay interest, is no solution. It is merely a gambler's "doubling up" strategy that makes the crash even worse when it comes, as it eventually must.

Enforcement of the debt regulations, although painful for some lenders and possibly harmful to China's near-term ability to raise capital from international sources, will in the long run benefit both foreign lenders and domestic enterprises.

Now that China has started down the right road of letting market judgments and not politics or favoritism guide the flow of resources, it must continue the journey.

Mr. Miller, professor emeritus at the University of Chicago Graduate School of Business, shared the 1996 Nobel Memorial Prize in Economic Science. Mr. Qiao is a lawyer with an international law firm in New York. They contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Racial Terror

NEW YORK — The suppression of the negro vote in the elections and the killing of negroes in both North and South Carolina will become the subject of a vehement Republican agitation in Congress. In North Carolina the Democrats so terrorized the negroes as virtually to wipe out the mass of the Republican vote. Many Republicans joined the Democrats in a campaign against the negroes, which has resulted in their being deprived of both civil and political rights. The negroes believe that the President is with them.

1923: Ominous Crows

VIENNA — An enormous migration of crows from East to West is witnessed in Bohemia. There are several thousand birds, and whenever they alight on fields they cause great damage. Their noisy croaking can

be heard from afar, even before they appear on the horizon, and when they come near the rustle of their wings gives a weird impression. The popular belief is that passing hosts of crows mean war and hunger for the country to which they fly, and the country folks are much perturbed over this phenomenon.

1948: Berlin ID Cards

BERLIN — The separation of Berlin into two distinct cities was moved toward completion when the Soviet authorities ordered issuance of new identity cards, their zone and throughout Berlin, and announced penalties for Germans who failed to procure them. The order was termed "illegal and a breach of existing agreements" by Colonel Frank L. Howley, military commandant for the United States in Berlin. "It is one more step in the Soviet plan to 'wall off' western Berlin," he said.

Herald INTERNATIONAL Tribune
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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.
Tel: (1) 41 43 93 00 Fax: Subscriptions: (1) 41 43 92 10 Advertising: (1) 41 43 92 12 News: (1) 41 43 93 38
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S.A.S. au capital de 1.200.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337
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OPINION/LETTERS

As They Ponder Impeachment, Both Parties Are Feeling Queasy

By E.J. Dionne Jr.

WASHINGTON — Starting an impeachment process is far easier than ending one. This is what the Republicans are learning, and they have a large problem. But Democrats have a problem, too.

The Republicans' difficulty is more serious. They run the House, so they are in charge. The chairman of the Judiciary Committee, Henry Hyde of Illinois, is trying to push forward with the inquiry into President Bill Clinton and says he wants to move quickly and be fair.

But how? The election made clear that voters have no stomach for impeaching Mr. Clinton. Most Republicans know this. Representative Chris Shays of Connecticut says that he would vote "no" on impeachment, and that other Republicans agree with him. Republicans who might have worried about speaking out before Nov. 3, he says, will do so now.

Representative Jack Quinn of New York, another Republican moderate, agrees. "I honestly believe a lot of the Republican interest in impeachment is running out of gas," he says. "Outside a small group of Republican members who have a pretty strong will in this thing, a lot of the interest among Republican members has waned."

The most interesting anti-impeachment perspective among Republicans may come from conservative Representative Mark Souder of Indiana. He was one of the 19 Republicans to call for an impeachment inquiry before Monica Lewinsky's name was known to him or the rest of us.

If there are grounds for impeaching the president, he says, they lie in the campaign finance scandals or other matters, not in the Lewinsky case, "the weakest link of all."

"I just don't think this is grounds for impeachment," Mr. Souder says in an interview. "If I was in charge, what I'd do is stop the hearings."

Congress should wait to see if Kenneth Starr, the independent counsel, has other information and for other investigations to conclude. If nothing new comes to light, Congress should give up on impeachment and move on.

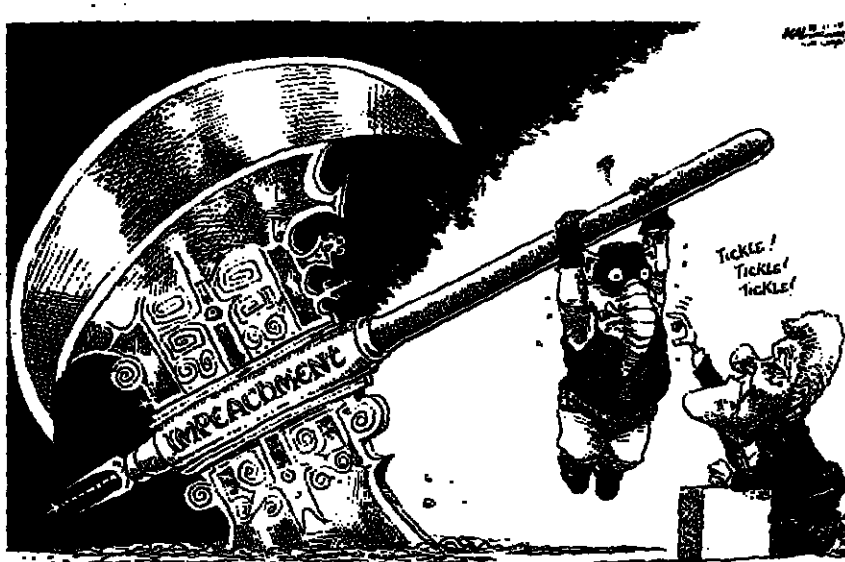
"Would this send a signal to the American people that he got away with this behavior?" Mr. Souder asks. "I don't think anybody believes he got away with it."

The difficulty for Mr. Hyde: He wants to act as if the elections did not happen, yet he has already taken account of the public's will by speeding the process. But the idea that the committee may hear only from Mr. Starr strikes some Republicans as unfair.

"If you are going to move ahead with impeachment, you have to have a complete record," says Representative Mike Castle, Republican of Delaware. "And frankly, you have to give the president an opportunity to state his case."

Mr. Hyde may think he is damned if he does and damned if he doesn't, since it is Democrats who urged him to move quickly and call on Mr. Starr to testify. But he still has to solve the problem. He has two choices.

If he knows there is no majority in the House for impeachment, would he not be better off finding a way out now? If he wants an impeachment vote, he should



answer Mr. Castle's concern by negotiating with Democrats for an expedited process that will also be seen as fair.

Republicans missed one chance to make this probe bipartisan. They should not do so again.

As for Mr. Starr, it is odd indeed that he sent one report to Congress with a clear intent of setting off the impeachment process, but still says he will send more information later.

Having deeply implicated himself in the political process, Mr. Starr has an obligation to move quickly and tell Congress what else he has. Or will we spend the rest of the Clinton presidency waiting for new Starr reports?

The Democrats' problem is simpler, but no less vexing. Before the election, many Democrats — notably Senator-elect Chuck Schumer of New York and Representative-elect Jay Inslee of Washington — said they disapproved of what the president did, but opposed impeach-

ment. They suggested instead that Congress pass a censure motion or some other reprimand.

Now that the president is riding high, it is imperative that Democrats who said this continue to press for a resolution of disapproval — even if the Republican majority rejects this approach.

If formerly pro-censure Democrats walk away from their pre-election words, Republicans will rightly accuse them of using censure talk as a political ploy. Having watched the Republicans suffer from one form of backlash, Democrats should not court another backlash.

All the polls make clear that a majority of the public opposes impeaching the president, but wants this matter closed with some formal statement that he acted wrongly. The public is right on both counts. Politicians in both parties, including the president, love to read polls. In this case, the polls point to wisdom.

The Washington Post

A Bard Sings Profitably At the Court of Habibie

By Margot Cohen

PEKANBARU, Indonesia — President B.J. Habibie need not despair over student protesters demanding his removal. No matter how transient his tenure, literary immortality is already guaranteed by one of Indonesia's most effusive scribes.

His name, Aris Abeta, is not generally recognized in the canon

MEANWHILE

of Great Indonesian Literature. Never mind. His 1992 volume of laudatory poems, entitled "For You, Habibie," is more widely distributed in schools and offices in Mr. Abeta's native Sumatran province of Riau than virtually any other collection of verse.

Now he is busy completing "For You, Habibie — Part Two." What the title lacks in imagination will be compensated for by the volume's girth. Mr. Abeta promises: "Not a day goes by without writing about Habibie," says the 43-year-old poet. "Quantity is more important than quality."

Such pronouncements may jolt other bards who brood endlessly over metaphors and metrics. But Mr. Abeta is a practical man, in politics and poetry. As chairman of publishing and mass media for the Riau branch of Golkar, Indonesia's ruling party, he specializes in pumping the bureaucracy to promote his literary career.

He joined the civil service in 1983 and four years later was named editor of a local Golkar magazine called "Consolidate." So began the process of consolidating his own connections.

In 1988 he dedicated his first book of poems to Riau's governor. The press run, financed by the local government, was only 1,500 copies, but Mr. Abeta got a motorcycle and a typewriter in the bargain.

Next came a collection devoted to the provincial capital, Pekanbaru. Backed by the mayor, the press run swelled to 5,000 copies.

But Mr. Abeta's big break came with the poems dedicated to Mr. Habibie, who was then research and technology minister and was spearheading the industrialization of Batam, a large island in Riau near Singapore.

During a ceremony, Mr. Abeta darted on stage and presented the 65-page volume to the German-trained engineer. Charmed, Mr.

Habibie invited the poet to Jakarta, where Mr. Abeta recited his work before an audience of the minister's technocrats. Life would never be the same again.

"Some people think I'm making Habibie into a cult figure," Mr. Abeta says, shrugging. "For me, this is a matter of creativity."

The creativity also extends to marketing. He shuttled door to door, peddling the book to government officials similarly struck by the rise of Mr. Habibie, who became vice president of Indonesia in March and then took over as head of state when President Suharto was forced to resign in May amid riots and recession.

Ultimately, 25,000 copies were sold — mighty impressive in Indonesian publishing circles. Mr. Abeta says he netted 200 million rupiahs (\$26,000), enough to build a house for his family.

In verse, Mr. Abeta leaves his praise for Mr. Habibie with some criticism of his development policies. But much of the poet's advice is bathed in reverence.

"I say to you / Take heed of the time / Because the people are waiting," reads one stanza. "Push ahead with your work / Though you may be haunted by obstacles / Though enemies may chase you / Your name will never fade."

Naturally, Mr. Abeta was delighted when Mr. Habibie came to power in May. "People congratulated me when he became president," he chortled. "I was touched." It encouraged him to speed up work on the sequel.

If the sequel is published while Mr. Habibie is still president, Mr. Abeta says, "I have a feeling that every governor, minister and district chief will want to buy it. It depends how hard I lobby."

What if Mr. Abeta fails to regain the presidency after elections due at the end of 1999? Well, his successor could always use an ode or two. "After Habibie, perhaps Wiranto," Mr. Abeta said, referring to Indonesia's current armed forces chief.

Detractors complain that he is simply prostituting himself. But that, too, leaves Mr. Abeta unfazed. "Everyone prostitutes himself," he says. "It just depends to what extent."

The writer, a journalist based in Jakarta, contributed this comment to the Herald Tribune.

LETTERS TO THE EDITOR

Pencils and Erasers

Regarding "Read for the Hills in 2000?" (Meanwhile, Nov. 4): If I understand the writer correctly, the millennium bug may reduce some rural Americans to fanatical cannibalism on Saturday, Jan. 1, 2000.

Ordinary kitchen matches, mysteriously failing to function, will be inadequate to burn wood with embedded knots. And Pentium-powered 18-wheelers will be uselessly stranded like so many ducks on a frozen pond.

Of course, as an information technology manager enjoying the benefits of the Y2K employment boom, I suppose I should wel-

come such wholesale repetition of Internet drivel by glibly journalists. Then again, our painstaking simulations, validations and verifications, expensive for our managements, do not make for very exciting copy and indeed will contribute to a breathtaking nonevent.

True, it is likely that an American family deprived of its Saturday down at the mall could get nasty, but a lesson in patience, rising food and fuel prices, and shortages could be learned from any Russian family today.

A ready solution is available to keep businesses running: cash on hand (preferably in dollars), cool

heads in difficult situations, and lots of pencils (with erasers). These last two were more than sufficient for the logistics event of the century: the organization of the D-Day armada, brought to the shores of Normandy with nary a single computer.

SEAN DALY, Paris

Chicken Little Is Right

I was truly saddened by your decision to reprint Jeff Jacoby's uninformative article on global warming ("The 'Chicken Little' Mindset," Nov. 7-8).

The industry front groups and their handful of in-house academ-

ic lapdogs cited in Mr. Jacoby's piece are not taken seriously in the scientific community. They do not publish their work in peer-reviewed journals and therefore cannot be considered to have broken up the consensus that exists on the issue.

This consensus is best represented by the UN's International Panel on Climate Change, a body of 2,500 leading climate scientists who have long confirmed the dangers posed by continued carbon emissions. The panel is not mentioned by Mr. Jacoby, and for good reason. To do so would have been to admit that there is an independent authority untainted by the generous "research" grants of

oil corporations. To insinuate that these scientists, along with those of the Union of Concerned Scientists and the National Weather Service, are power hungry politicians is dishonest and in this pregnant moment — the height of journalistic irresponsibility.

The science is basic; the evidence is overwhelming. We must begin an honest discussion of ways to deal with this threat in earnest. While not perfect, Kyoto is a first step and demonstrates that environmental collective security can work. But if it is to work, disingenuous voices such as Mr. Jacoby's must not be given echo.

ALEXANDER ZAITCHUK, Iraklio, Greece

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A Cuban Band Is Still a Family

By Mike Zwerin
International Herald Tribune

PARIS — It's confusing. A succession of newly formed and/or revived Cuban pop and jazz bands is being marketed under stylistic descriptions such as son, mambo, charanga, guaracha, Afro-Cuban, cha flamenco and samba cha.

The history of Cuban music is rich and complex as it is. And the new definitions added on overlap and become vague depending on the context. One thing, however, is clear enough. As cultural sanctions slowly loosen, today's music from Cuba is a la mode.

It is presented as authentic tradition-based music directly from Havana rather than Yankee-filtered salsa from the Bronx. One example: Orquesta Aragon is a particularly long-term, clear and honest Cuban affair. A family affair.

Formed in the central port of Cienfuegos in 1939 by Orestes Aragon Cantero as an eponymous charanga-style orchestra, it has existed pretty much continually since then. Aragon's charanga — featuring three violins, a flute and a cello — describes delicate string music originally played for dances and parties in chic salons for the white bourgeoisie.

Charanga has also come to mean something more African-oriented and brassy, with a stronger pulse. Both branches use similar compelling rhythms — a traditional piano, bass and percussion cushion playing the franchise Cuban syncopated fabric. The intensity varies considerably. In Aragon's case, it is oh so soft and without the bullish and screeching trumpets Cubans are otherwise so fond of.

Rafael Lay Apezteguia, one of the original violinists, was a prodigy at 13. In 1948, he took over as leader from the ailing founder. Although he did not invent the cha-cha-cha, under his leadership Aragon fused it with the charanga and the orchestra was primarily responsible for its popularity.

Cha-cha mania brought the Aragon to a larger public. They shifted their base to Havana. Helped by the popularity of their virtuosic flutist and composer Richard Egües, they toured the Americas. In 1955 they began a radio program that continues today. It was first sponsored by Crystal Bear. Now they record a 45-minute concert in front of a live audience on Wednesday to be aired on Monday over Radio Progreso. Basically Aragon's musicians, who are full-time employees, continue to make their living from this weekly radio show. Otherwise the orchestra has had its commercial ups and downs.

The rise of Fidel Castro did not affect the orchestra's popularity. Rather, it shifted its markets. Aragon began to tour Poland, East Germany and the U.S.S.R. The light step of their cha-cha-cha was welcome behind the Iron Curtain.

They were introduced to Paris via the yearly French Communist Party festival, Fete de L'Humanite. In 1965, they played a concert at the Olympia Theatre followed by two weeks in Le Cour Samba, an Afro-Parisian club. It was decolonization time. The Black Continent was in turmoil. A new consciousness was rising. Cuba had been a major distribution point of the slave trade. Africans had long been interested in Cuban music anyway.

In Paris, Aragon discovered that they were one of the most popular Cuban bands in Africa. They had never been to Africa and the extent of their popularity was veiled by the fact that about 50 percent of their grand total of 100 recordings were bootlegs about which they had been uninformed.

One way or the other, their albums were circulating, and their reputation was growing. In 1972 they toured Africa for the first time — Guinea and Mali to begin with. The band's cellist, Tomas Valdes, created the *chaonda*, which had a perky rhythmic feel inspired by Guinean folk music. They



Rafael Lay Bravo now leads his father's band.

built on their popularity with tours that included Senegal, Zaire, Benin, Zanzibar, Burkina Faso (one concert was interrupted by soldiers executing a coup), Ghana and the Republic of Congo.

Denied access to the United States for political reasons at the height of the Latino-New York boom, they returned to Paris instead to play for excited Afro-Caribbean audiences in clubs like La Chapelle des Lombards and prestigious venues like the Cirque d'Hiver. And they could often be found on the same European stages as big latin names such as Oscar D'Leon and Tito Puente.

When Rafael Lay Apezteguia died in an automobile accident in 1982, he was replaced by his son, Rafael Lay Bravo, also a violinist. Bravo, who is 39, leads the band today. With new, young and enthusiastic French management, it's exploring Europe. The group's current tour, through Dec. 12, will include stops in Brussels, Paris, Amsterdam, Berlin, Dijon, Hannover, Turin, Mainz and Strasbourg.

TS new agent, Claire Henault, described the new pianist, whose father was also once the band's pianist, as being "tres Aragonese." Asked to define what that means, she said: "It's a way of being simple — modest, not a show-off." And the family story continues. Rafael is his father's son — comparing photographs reveals a striking resemblance. Two of the band's current violinists are father and son. Aragon also emphasizes the musical equivalent of family values. All the music is written, there is just about no improvisation. One trademark sound is male voices in unison and the voicing of their chords in general is consonant.

The United States is now opening up for them. As with other Cuban bands, it is still necessary to go through contortions, like having albums released by Canadian or Japanese offices of multinational record companies. But Aragon is already known among the Cuban community and BMG/France is giving their new album "Quien Sabe Sabe" major promotion.

And so it has come to pass that Orquesta Aragon, one of the longest running acts in Cuban music, and Cuban music in general in all its myriad forms, is infiltrating the world of "world music."

Beijing Revels in Its Jazz

Stepping Out With the People's Liberation Band



Members of the People's Liberation Army band playing Coltrane's "Blue Train" at the Beijing Jazz Festival.

By Mia Turner

BEIJING — Beijing is not the place you would immediately associate with hot jazz in smoky clubs. But this week the Chinese capital will host its sixth international jazz festival.

Like every year it will showcase such homegrown talent as Du Yiniao, who was 16 when the People's Liberation Army plucked him out of his Wuhan high school in 1981.

They examined his teeth, his hands and his looks and decided he had the makings of a musician. Along with 45 other teenagers recruited from around the country, Du was sent to Beijing to study at the army's Music Academy. Upon arrival, he was handed a saxophone.

"I didn't even know what a saxophone was," he says. "At the time I would have preferred a trumpet," a far more patriotic instrument among the military brass. But the saxophone changed his life: "I liked its complexity."

For the next decade he was immersed in classical music studies and Soviet marching songs. But as his interest in the saxophone grew so did his knowledge of other musical forms: "I listened to any music that had a saxophone."

When he was not donning his uniform to play with the 400-member China National Military Band for visiting foreign dignitaries, he was expanding his jazz repertoire. Charlie Parker and Mike Brague joined the list.

"I didn't have much choice at the time. They were the only jazz musicians whose tapes I could find," Du says. Then in 1988 Du's jazz dreams were realized. The army started its first big band. Although it broke up half a year later, he never looked back.

By 1992 he was sneaking out of his barracks to play jazz with other musicians around the city. From then on he played jazz at night and marching music during the day. A year later he was well enough established in the local jazz scene to set up his own group, "Wide Angle."

Three years later, the military agreed to let the 21-year-old army major head a 20-member army jazz band called the Golden Horns.

Du's love affair with jazz is not unique in modern-day Beijing. Perhaps

one of the capital's earliest pioneers is Liu Yuan, 38, who had his first taste of jazz in 1978 while traveling in Romania with the Beijing Song and Dance Ensemble.

Though he was in a fellow socialist country, he soon discovered they had a different style of music. His Romanian hosts took Liu to the steamy jazz clubs of Bucharest. Three years later he toured France and Belgium and absorbed the jazz scenes there. He was hooked.

The fourth generation of his family to play the *suona*, a Chinese horn, Liu says he is the last. In 1985 he put down the *suona* and took up the saxophone, and three years ago he helped set up Beijing's first jazz bar — the CD Cafe — with his group, the Liu Yuan Quartet.

While jazz is still at the embryonic stage, it is not new in China. As early as the 1920s, swing jazz could be heard in Shanghai and other cosmopolitan cen-

The 45-year-old pianist, who used to play classical music with the China Philharmonic, has been busy educating his small but growing audience. He writes a monthly column on jazz in Chinese Performing Arts Magazine and is frequently interviewed in the local press.

Chinese audiences, he explains, are not ready for the improvisation of contemporary "free jazz." Most Chinese musicians are still performing bebop. "We have to play what audiences can understand," Liang says. In private they are developing a jazz vernacular.

While the road has been circuitous, modern jazz is slowly finding its way to China. This week's festival is helping speed up the process. Started by the jazz aficionado Udo Hoffman, the five-day festival has brought a number of major jazz performers, like Betty Carter, to China.

Hoffman, a German expatriate working in Beijing, found sponsorship from foreign ventures like Volkswagen and has so far received an enthusiastic response for his efforts.

He recalls a 60-year-old Chinese man who came up to thank him with tears in his eyes after the first Beijing festival in 1992.

"He told me he knew jazz existed but had never heard it played," he said. "I was touched so I continued the festival the next year, though organizing it was exhausting."

THIS year the festival will travel to eight cities in China, up from four last year. It will also be bringing major performers like the Dave Holland Group and Paul Motian, the renowned U.S. drummer who played with Woody Guthrie at Woodstock.

While jazz still has a long way to go to become more widely accepted, it has an enthusiastic following here. According to Hoffman, people of the emerging urban middle class are the ones who might give jazz its jump-start. "They are looking for a lifestyle that makes them different from their co-workers. Jazz is one niche in that development. They want to say 'I can understand that.'"

The People's Liberation Army might already be heading in that direction. The Golden Horns are playing with Banda Sonora of Italy in the festival.

"It's progress," Du says.

Mia Turner works for Time magazine in Beijing.

Going Deeper 'Into the Woods'

By Sheridan Morley
International Herald Tribune

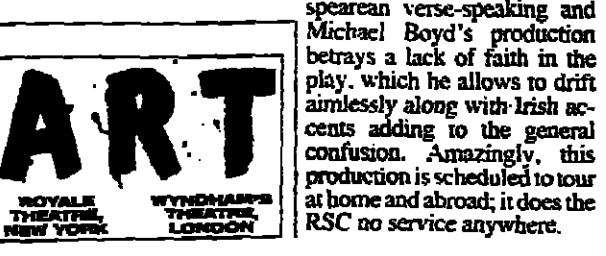
LONDON — Christmas has come a little early to the Donmar Warehouse this year. Stephen Sondheim's dark "Into the Woods" is back in the West End less than a decade after it folded somewhat abruptly in a glittery staging.

In the intimacy of the Donmar Warehouse, on a wonderful set by Bob Crowley that looks like an exhibition of Christmas trees, we are taken deeper into these woods than ever before, and theoretically we should be in very secure surroundings, given that this is the third festive-season Sondheim at this address.

But Sondheim is not festive, nor is he even likely to make us feel secure. "Into the Woods" is a multilevel deconstruction of the old pantomime stories. Essentially it deals with what happened unhappily ever after. Cinderella and Rapunzel and their respective princes ("I was brought up to be charming, not necessarily sincere" notes one of these), Little Red Riding Hood and assorted other fairy-tale figures are reassembled in James Lapine's brittle, often brilliant book some years after their stories were supposed to end in eternal happiness. Except of course they didn't.

What is now stirring down in the forest is the realization that even for these legendary figures, perhaps especially for them, the future is full of doubt and death and divorce. The problem with this production is that, unlike the Warehouse's last Sondheim revival, "Company," it is very undercast, so that only Nick Holder and Sophie Thompson (as the Baker and his wife) and Clare Butt as the Witch seem to have the full measure of this immensely tricky score.

All is confusion, from costumes to casting. Can there be any reason other than weird gimmickry to have Achilles's lover, Patroclus, played by a woman and then shot by his/her own side merely to get Achilles back into armor? As is now all too common at the RSC, the cast is catastrophically unspoken to Shakespearean verse-speaking and Michael Boyd's production betrays a lack of faith in the play, which he allows to drift aimlessly along with Irish accents adding to the general confusion. Amazingly, this production is scheduled to tour at home and abroad; it does the RSC no service anywhere.



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Mia Turner works for Time magazine in Beijing.

CROSSWORD

ACROSS

- Game of chance
- Exit quickly
- Part of a profit calculation
- Kind of surgery
- Red shade
- 1962 award for David Marmet
- Indian
- Medicinal plant
- Rivera city
- French wine made the old-fashioned way?
- Sphere
- 24 Rolands rival
- Machine part?
- Birthday-to-birthday span
- Dom DeLuise sitcom "Luck"
- Mine, in Amers
- Newman Elie
- Loathsome individuals
- French delicacy served at McDonald's?
- Jazzman Shapiro
- Valley
- "I'll..." Necessity So?
- Young man
- Beggar's duds
- "Hel-Hip!"
- Plus others
- 33 B. neighbor
- Low-cal version of a French dessert?
- Most
- Group, as of votes
- Apiece
- 3 in a middle
- "Cool"
- Obscure
- The lady of the fairs
- Downtime
- WW II vessel
- Clute a sight
- Pioneer's wagon
- Life sentences?
- 12 "err. Rover"
- 13 Drawing aid?
- 21 Draw on (aim at)
- 22 Ham it up
- 25 Family man
- 26 Bradley and Shaw
- 27 Get-rich-quick method
- 28 Not up
- 30 Hand over (to)
- 32 Ganges gyo
- 33 A Bell for
- 36 A gong concern?
- 37 1970 Knicks hit
- 38 Some jets
- 41 Bodybody
- 42 Labor grp since 1900
- 47 Went "blah-blah-blah"
- 48 Every hot
- 52 Split
- 54 1988 Olympics site
- 55 Alum
- 56 Whole bunch
- 57 Winston TV maker
- 58 "Beloved" author Morrison
- 59 General affairs
- 60 Jane who becomes Mrs. Rochester
- 61 Wood gatherer
- 62 Girl's finale

DOWN

- Group, as of votes
- Apiece
- 3 in a middle
- "Cool"
- Obscure
- The lady of the fairs
- Downtime
- WW II vessel
- Clute a sight
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Solution to Puzzle of Nov. 17

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WEDNESDAY, NOVEMBER 18, 1998

MEDIA MARKETS



Walter Isaacson, managing editor, defends Time's move.

Time is readying its first regular weekly issue devoted to just one advertiser, the drug-maker Pfizer, whose executives met with the issue editor.



Time Treads Controversial Turf

Editor's Meeting With Sole Sponsor of Issue Unsettles Industry

By Alex Kuczynski
New York Times Service

NEW YORK — Mark Whitaker brought up the subject last week as one of his first acts as the new editor of Newsweek. In an interview in his office, he said he was dismayed at recent decisions at Time magazine that he said blurred the line between editorial and advertising priorities.

"I think it's pretty well known that they're doing things now that seem tailored for specific advertisers," Mr. Whitaker said. He was alluding to Time magazine's recent agreement with Ford Motor Co. in which the automaker will be the sole sponsor of new editorial sections that focus on the environment.

In response, the managing editor of Time, Walter Isaacson, defended Time's separation of powers as a "great system of checks and balances."

Toward the end of last week, magazine editors were talking about Time's latest advertising coup.

The first issue of Time in the new year will be titled "The Future of Medicine." There is only one advertiser: Pfizer Inc., the third-largest pharmaceutical advertiser in the country, after Glaxo-Wellcome PLC and Bristol-Myers Squibb Co.

Pfizer spent \$85.4 million last year advertising in consumer magazines. The issue appears "in cycle," as a regular weekly edition of the magazine. This is the first time Time

has had one advertiser in a regularly scheduled, as opposed to an additional, issue of the magazine.

Single-advertiser special issues are not new, and they are appearing with increasing frequency.

Time did one on women in 1990 with Sears, Roebuck & Co., and its multiculturism issue in 1993 had one advertiser: Chrysler Corp. The single advertiser in a cyberspace Time in 1995 was AT&T Corp. And Glaxo-Wellcome was the advertiser in the summer of 1991 for the magazine's special issue on heroes of medicine and then five years later for one on the frontiers of medicine.

What has attracted attention is that not only is "The Future of Medicine" a regularly scheduled issue but that the Time special-project editor, Barrett Seaman, who is overseeing the issue, recently spent the day with Pfizer product managers in their New York offices.

"While both Mr. Isaacson and Mr. Seaman said that in no way would Pfizer help to shape the issue, Mr. Seaman conceded that he was disturbed by the trend toward having single advertisers featured in an issue solely about the subject they addressed."

"I am troubled by the continuing movement toward having these big advertisers on the subjects where the advertiser is in the same business more or less," he said. "But let's face it: those are the kind of advertisers you're going to attract. If you do a special issue on

the future of the automobile industry, you're not going to attract Eli Lilly."

Mr. Seaman said his visit had yielded little for the editorial side of the magazine.

"It was at the request of our ad sales people that I go spend a little time and sort of as the editorial representative give them a chance to talk a little bit about Pfizer," Mr. Seaman said in defense of his visit.

"And I would also add that those conversations had absolutely nothing to do with the editorial product that we're working on."

A Time reporter, Christine Gorman, paid a separate visit to Pfizer's research department in Connecticut last week to begin reporting a story for the issue, Mr. Seaman said.

Editors at several magazines said they were certain that Time would not allow Pfizer to interfere with the content of the issue but that the perception of the arrangement might be damaging in readers' minds.

"I think the reader might ask questions," said Richard Smith, chairman of Newsweek magazine. "People who are writing, reporting or editing — line editing — should not be getting too close to advertisers, even if that is just to head off the perception that the advertiser has influence over the editorial copy."

Newsweek has produced its own single-advertiser issues: An edition

See TIME, Page 19

Moscow Unveils a Recovery Plan, But Analysts See 'Too Many Holes'

Continued from Page 12

MOSCOW — Russia published a long-awaited economic program Tuesday that may have been more significant for what it did not include than for what it did.

The plan offered little or no detail on cutting government spending, increasing revenue or settling foreign debts — all key to attracting new international loans. Instead, the program focused on reduced taxes, cheap loans for industry and the printing of money to pay wage and pension arrears, measures that lenders already have opposed.

Officials from the International Monetary Fund, who rejected earlier Russian plans as inadequate, are visiting Moscow this week for talks with the government. The Fund said it would not resume lending until Russia presented a realistic budget for 1999. Analysts said the IMF officials were unlikely to see the latest plan as sufficient.

"They are wise enough to see this plan has too many holes in it, and some parts are simply not implementable," said

Peter Westin, an analyst at the Russian-European Center for Economic Policy.

Nonetheless, Chancellor Gerhard Schröder of Germany, who was visiting Moscow, called Russia's economic plan "a good start" to new talks with the IMF. He said Germany would help Russia develop a broader strategy to overhaul its economy. Mr. Schröder met with President Boris Yeltsin in the Kremlin. Afterward, he said Russia could draw on Eastern Germany's experience of making the transition from a planned economy to the free market.

"We have got concrete experiences, both good and bad," Mr. Schröder said. "I believe Europe and also America can only welcome it if Russia can avoid repeating the difficulties we have had in our transformation."

But analysts questioned some of the assumptions in Russia's plan. For one, the plan predicts that the annual inflation rate will fall to 30 percent next year from an expected 70 percent this year.

"That forecast is unrealistic," Mr. Westin said. The annual rate probably will be

"in triple digits," he said, as the government prints money to subsidize banks and industry and to pay months' worth of back wages to state workers.

The government plans to print an additional 25 billion rubles (\$1.52 billion) by the end of the year. The spending plan forecasts a budget deficit in the fourth quarter of this year of 64 billion rubles.

"They can't finance the plan in a noninflationary way," said Karine Saroukhanian, an economist at Nomura International in London.

Consumer prices rose 4.5 percent in October and soared 38.4 percent in September after the government abandoned its defense of the ruble in August. The dollar has risen about 60 percent against the ruble since then, causing prices of imports to soar. Moscow plans to control prices charged by monopolies such as utilities and railroads. But the economic program included few measures to increase revenue beyond raising a state monopoly on alcohol sales and trying to improve tax collection.

(Bloomberg, Reuters)

K-Tel Faces Nasdaq Delisting As Cash Flow Continues to Fall

Bloomberg News

CALABASAS, California — K-Tel International Inc., known in the United States for its late-night television advertisements for toll-free numbers pitching compilation music titles such as "Hooked on Classics," said Tuesday it had been notified by the Nasdaq stock market that it had failed to meet requirements for trading on the national market and faced delisting.

K-Tel received a warning letter from Nasdaq last month. It has a hearing scheduled before Nasdaq in January to seek a temporary extension to the requirements and to raise additional capital to meet them, said Lawrence Kiev, who was named president in October.

"There's no assurance the company will be successful in its attempt to remain listed on the Nasdaq stock market," the company said in its quarterly filing with the Securities and Exchange Commission. If delisted from the na-

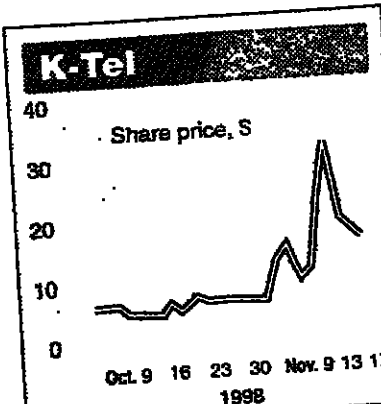
tional market, it said, it might apply to the Nasdaq small-capitalization market.

K-Tel shares have been swinging wildly since the company entered the on-line retailing business in April. The shares fell \$5.625 Tuesday to close at \$12, a fall of more than two-thirds from their highs of almost \$40 last spring.

On Nov. 3, news that K-Tel would sell music on Playboy Enterprises Inc.'s World Wide Web site sent its shares up 93 percent. Last week, the stock soared 98 percent after Microsoft Corp. agreed to include K-Tel's on-line music and video service on its MSN Shopping service.

Mr. Kiev said the pending situation with Nasdaq would not affect any of the company's current alliances and partnerships.

In its first quarter, which ended Sept. 30, K-Tel's loss widened to \$3.1 million from \$1.2 million a year earlier. It had negative cash flow from operations of



Source: Bloomberg

\$4.9 million in the period. The company said it had \$72.742 remaining in a revolving credit line on which it had already borrowed \$5.2 million.

In its SEC filing, the company said it expected to be out of compliance with the Nasdaq's tangible net asset requirement "until the company achieves the necessary level of profitable operations."

It obtained an equity placement infusion or further modifies the covenants of its credit agreements.

Bronfman Tightens Grip on Universal

Departure of Biondi Touches Off a Reshuffle at Entertainment Giant

By Bernard Weinraub
New York Times Service

LOS ANGELES — The departure of Frank Biondi Jr. from Seagram Co.'s Universal Studios unit leaves Seagram's chief executive, Edgar Bronfman Jr., free to take more hands-on control of the company's growing entertainment operations.

Mr. Biondi, who was ousted Monday and will be replaced by his No. 2, Ron Meyer, was a respected figure on Wall Street.

Mr. Meyer will oversee three of Universal's entertainment businesses: movies, television and theme parks. Separately, Doug Morris, chairman of Universal's music business, will also report to Mr. Bronfman.

Mr. Bronfman said in a telephone interview that the shifts would help the company run more smoothly as it neared completion of its \$10.4 billion purchase of Polygram NV, the world's largest music company.

That purchase, coupled with Mr. Bronfman's decision last year to sell most of Universal's television assets to Barry Diller's USA Networks, seri-

ously diminished the power of Mr. Biondi. Mr. Bronfman personally negotiated the Polygram deal and has a personal and active interest in music.

"Strategically, the company has taken a couple of very significant turns since Frank joined them," said Jeffrey Logsdon, an analyst at Seidler Cos. He said Mr. Bronfman's company was seeking to turn into the dominant player in the music world and was increasingly emphasizing theme parks in its expansion efforts.

"These are not businesses that Frank had a great deal of experience with coming into the job," Mr. Logsdon said. In fact, Mr. Biondi's expertise, in previous top jobs at Viacom Inc. and Home Box Office, a unit of Time Warner Inc., was in television and cable.

Mr. Bronfman said the company had completed most of its significant expansion efforts in entertainment.

Responding to a question, Mr. Bronfman said he had been thinking about removing Mr. Biondi for a while. "I thought this was the best way to do it," he said. "It was the right way to structure the company."

Mr. Bronfman added that he personally had "more confidence to manage the business more actively and productively as a result of three and a half years here."

He added, "The closure of the Polygram transaction is really the final step of Seagram's transformation into an operating company which is a leader in the field of entertainment and spirits and wine."

Asked about the past confusion in the entertainment business about who did what at Seagram, and the seemingly overlapping responsibilities of Mr. Meyer, Mr. Biondi and even Mr. Bronfman himself, the 43-year-old son of the Bronfman family fortune replied tartly, "There's really room for one CEO, and it's me."

As to Universal's sluggish movie division, and the disappointing opening over the weekend of its "Meet Joe Black" feature film, Mr. Bronfman said, "There's no question we've had a disappointing year, although I have confidence in 'Meet Joe Black.'" He said Universal's slate of new films "is looking pretty good in the next couple of quarters."

CURRENCY & INTEREST RATES

Nov. 17										Libid-Libor rates									
Cross Rates										Swiss									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB	Swiss	Swiss	Swiss	Swiss	Swiss	Swiss				
American	1.00	0.94	0.76	110.00	0.72	0.58	7.76	20.47	3.40	1.46	1.46	1.46	1.46	1.46	1.46				
British	1.32	1.00	0.76	146.00	0.94	0.72	10.00	27.46	4.55	1.46	1.46	1.46	1.46	1.46	1.46				
French	1.36	1.00	0.76	149.00	0.94	0.72	10.20	28.36	4.65	1.46	1.46	1.46	1.46	1.46	1.46				
German	1.36	1.00	0.76	149.00	0.94	0.72	10.20	28.36	4.65	1.46	1.46	1.46	1.46	1.46	1.46				
Italian	1.36	1.00	0.76	149.00	0.94	0.72	10.20	28.36	4.65	1.46	1.46	1.46	1.46	1.46	1.46				
Spanish	1.36	1.00	0.76	149.00	0.94	0.72	10.20	28.36	4.65	1.46	1.46	1.46	1.46	1.46	1.46				
Swiss	1.36	1.00	0.76	149.00	0.94	0.72	10.20	28.36	4.65	1.46	1.46	1.46	1.46	1.46	1.46				
Japanese	110.00	124.00	106.00	1.00	146.00	118.00	15.75	41.08	6.37	1.46	1.46	1.46	1.46	1.46	1.46				
Australian	0.72	0.78	0.60	82.00	1.00	0.82	10.40	26.68	4.25	1.46	1.46	1.46	1.46	1.46	1.46				
New Zealand	0.58	0.64	0.48	66.00	0.82	1.00	8.40	21.12	3.36	1.46	1.46	1.46	1.46	1.46	1.46				
Hong Kong	7.76	8.36	6.36	91.00	6.80	5.40	1.00	24.76	3.92	1.46	1.46	1.46	1.46	1.46	1.46				
Taiwan	20.47	22.00	16.56	248.00	18.40	14.40	12.00	1.00	2.56	1.46	1.46	1.46	1.46	1.46	1.46				
Thailand	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Philippines	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Malaysia	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Singapore	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Indonesia	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
South Korea	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
China	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
India	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Pakistan	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Bangladesh	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Sri Lanka	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Myanmar	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Laos	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Vietnam	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Cambodia	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Timor	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Brunei	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Maldives	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Comoros	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Madagascar	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Mozambique	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Swaziland	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Zimbabwe	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Botswana	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Lesotho	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Namibia	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
South Africa	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Kenya	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Tanzania	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Uganda	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Rwanda	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Burundi	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Cote d'Ivoire	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Chad	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Niger	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Nigeria	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Cameroon	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Equatorial Guinea	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Gabon	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Congo	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Congo-Brazzaville	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Cote d'Ivoire	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
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Cameroon	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Equatorial Guinea	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Gabon	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
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Cote d'Ivoire	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Chad	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.46	1.46	1.46	1.46				
Niger	3.40	3.64	2.76	40.00	3.20	2.56	0.20	1.00	0.24	1.46	1.46	1.							

Vision me Vision

Jürgen E. Schrempp
Daimler-Benz Chairman

Traveling the world,
he saw global opportunity.
And made the call.



Can you imagine two intuitive leaders simultaneously having an idea so far-reaching that the transportation industry would never be the same again? We can. Because the company that over a century

ago invented the automobile and today leads the world in fuel-efficient development has come together with the people who are constantly changing the rules of the road with breakthrough products and

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...called Daimler
...share a vision.

On His Vision

Robert J. Eaton
Chrysler Corporation Chairman

From the window of his office in Michigan, he spotted the ideal partner 4,200 miles to the east. And took the call.



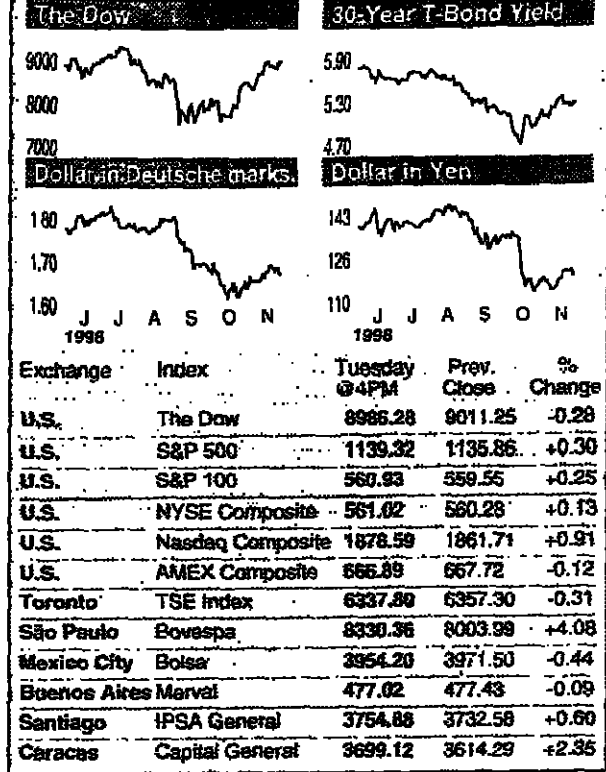
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processes. Starting today, this meeting of the minds will happen at a new company called DaimlerChrysler. It's where 428,000 passionate people share a vision of an extraordinary future together.

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THE AMERICAS

Investor's America



Very briefly:

- ProLogis Trust, the largest U.S. owner of industrial and warehouse properties, agreed to buy Meridian Industrial Trust for \$1.47 billion in stock and assumed debt, bolstering its holdings by about 30 percent.
- Venezuela's futures market will suspend operations on Nov. 27 because of the country's stalling economy and diving financial markets. The market, the second derivatives exchange in Latin America after Brazil, was opened in September 1997. It plans to resume operations when market conditions improve.
- Lockheed Martin Corp., the second-biggest aerospace and defense company, plans to take a first-quarter charge of \$350 million to \$400 million to cover a change in how it accounts for development costs.
- Abitibi-Consolidated Inc., the world's largest newsprint maker, agreed to sell its Axidate Inc. computer-equipment business to Miami Computer Supply Corp. of Dayton, Ohio, as it concentrates on paper making. Terms were not disclosed.
- Revlon Inc. is in talks with lenders to waive terms in its credit agreement after taking a charge of about \$50 million in the fourth quarter to restructure international operations.
- Texaco Inc. plans to cut 100 jobs from its North American natural-gas unit in a move aimed at saving \$20 million a year.

Lilly to Sell Prescriptions Unit

INDIANAPOLIS — Eli Lilly & Co. is selling PCS Health Systems Inc. to the drugstore giant Rite Aid Corp. for \$1.5 billion, the company announced Tuesday, or \$2.6 billion less than it paid for the pharmacy benefits unit four years ago.

Lilly will keep \$100 million of cash from PCS in the deal, which is expected to close by April. PCS manages about 300 million prescriptions for 56 million health-plan members.

Hewlett-Packard Warning Checks Stocks

Bloomberg News
NEW YORK — Stocks were mixed Tuesday, weighed down by a warning of possible threats to Hewlett-Packard's future earnings but buoyed by an cut in U.S. interest rates by the Federal Reserve Board.

At the close, the Dow Jones industrial average, which rose briefly after the Fed's afternoon announcement of a quarter-point cut in the federal funds rate, was down 24.97 points at 8,998.28. But broader indexes were higher, with the Standard & Poor's 500-stock index rising 3.46 to 1,139.32 and the Nasdaq com-

posite index up 16.91 at 1,878.59. Lower rates are positive for stocks because they make it cheaper for companies to finance expansion and for consumers to buy homes and autos on credit.

U.S. STOCKS

"The Fed is taking insurance out to make sure global markets continue their rebound," said Maureen Maguire, senior economist at NationsBank Montgomery Securities. "The Fed is showing the market it's sensitive to the need for liquidity." Banks often are among the main

beneficiaries of rate cuts, and their shares rose Tuesday in response. BankAmerica rose 1 to 60 1/2, and J.P. Morgan gained 3 1/2 to 107 1/4. Chase Manhattan rose 3 7/16 to 61 5/16 after the bank said it would buy back as much as \$3 billion of its stock.

But the market was held back by a big decline in Hewlett-Packard, the third-largest computer maker, which dropped 6 to 60 1/2 after warning of slower sales and lower earnings. The decline in the company's shares came despite the fact that Hewlett-Packard had reported better-than-expected results for the

most recent quarter. But analysts said the fact that the strong earnings were driven by cost reductions did not bode well for the future.

"This will work for another few quarters, and then we need to see growth," said John Jones, an analyst at Salomon Smith Barney. Amazon.com shares rose 2 1/4 to 148 1/4 after the No. 1 Internet book-seller unveiled an on-line video store and a holiday gift center that sells items ranging from toys to computer software.

Amazon is broadening the range of items it sells on its Web site to increase revenue as it faces increased competition in its core book business from Barnes & Noble and Borders.

Amazon started selling music this year and surpassed its on-line music rivals, N2K and CDNow, in third-quarter sales.

"This is a new billion-dollar market they entered," said Andrew Williams, an analyst at Volpe Brown Whelan & Co. "We have every reason to believe they're going to be successful."

Some investors said that despite the rate cut, the U.S. market was unlikely to gain much more, given its recent rally. The Dow average has risen more than 20 percent since touching a low Sept. 1.

Treasury securities fell slightly despite the rate cut. The 30-year bond was down 1/32 point at 90 1/32, and the yield was steady at 5.30 percent.

RATES: Fed Eases but Indicates Further Cuts Are Unlikely

Continued from Page 1

as consumers snapped up new automobiles. Sales were so strong that forecasters said the economy might grow faster than previously expected — at a healthy pace of 3 percent to 4 percent — in the final three months of the year, with consumers edged on by high and rising stock prices.

But Alan Greenspan, the Fed chairman, remains concerned that other forces at work could sap the economy's strength months from now. On the side of weakness, the forces include turmoil in financial markets, a slump in manufacturing, smaller monthly gains in payroll employment, rising trade deficits and lingering consumer uncertainty. A few economists even predict a U.S. recession next year.

The rate cut comes on the heels of similar moves on Sept. 29 and Oct. 15 that were intended to help stabilize the global financial market, especially the bond market, which had jolted to a near standstill in early September after the Russian government's default on a portion of its debt.

Mr. Greenspan is known to like to buy "insurance" against untoward economic events. For instance, that is how he described the reason for raising rates in March 1997 when the economy appeared likely to grow so fast and unemployment fall so low that inflation would increase. Now the shoe is on the other foot.

"There is a tension between measures of current economic activity, which have been quite solid, and the more forward-looking data that portray weakness ahead in manufacturing, employment and profits," said Robert DiClemente, an economist at Salomon Smith Barney in New York. "The issue remains how much the improvement in financial markets buoy the outlook in ways that might temper the Fed's will-

ingness to ease" rates.

Several Fed policymakers said they were concerned that fallout from the global financial turmoil, including a continuing drop in U.S. exports to Asia, had increased the risk that the U.S. economy could fall into a recession next year if interest rates were not lowered. Those exports have declined because the dollar is strong, which makes American imports expensive. At the same time, economies are slumping in Japan, South Korea, Thailand and other Asian nations. By next year Brazil and other Latin American countries likely will be in recessions, too, cutting further into demand for U.S.

exports, Fed officials said.

While the risk of a slump next year has risen, some recent economic data suggest the U.S. economy is still growing solidly. But Fed officials emphasize that they need to base policy on what they expect economic conditions to be six months or a year from now.

In other words, they have to operate on the basis of a forecast rather than current statistics, such as last month's 1 percent increase in retail sales, which suggested "that fourth-quarter consumer spending would grow at about a healthy 4 percent annual rate," said Cheryl Katz of Merrill Lynch & Co. in New York.

Using New Technology to Bolster the 'Top Line'

By Mitchell Martin

International Herald Tribune

LAS VEGAS — For 40 years, computers have been used to cut corporate expenses, replacing costly labor forces with cheaper machines and bringing new efficiencies to industry. Charles Wang, chairman of Computer Associates International Inc., told attendees at the Comdex trade show Tuesday.

This focus on profits has been beneficial, he said, but he added that it was time to apply computers to the "top line," as well as the bottom line, using technology to increase sales. He used an example from the 1920s: The American Bookellers Association was seeking to increase book sales. It approached a public relations executive, who eschewed the obvious tactic of trying to extol the virtues of reading to consumers,

who in the Roaring Twenties had other things on their minds.

Instead, he targeted architects and homebuilders with a publicity campaign to convince them that "bookshelves added a classy touch to any construction that was inexpensive to the builders." Within 18 months, Mr. Wang said, there was a sharp increase in book sales as homeowners purchased volumes to fill up the shelves.

The moral, Mr. Wang said, is that by changing an infrastructure such as housing, demand was created for products, expanding bookellers' market and their top lines. A modern equivalent, he said, is Amazon.com, the on-line bookseller, whose existence as a bookstore without walls would be unthinkable in the absence of the Internet.

Though Computer Associates made headlines this year when it failed in an attempted \$9 billion stock

takeover of Computer Sciences Corp., the company has not been as visible with consumers as some of the other big software makers. That is probably because half of its business is providing programs for mainframe computers, though this part of its sales is shrinking.

"We probably make the plumbing more than the faucets," Mr. Wang conceded in an interview before his speech, but he added that Computer Associates was working on some projects that might raise its profile as it takes advantage of changing technology.

"We're in the middle of the McLaren Formula 1 race car," Mr. Wang said. Using technology from Computer Associates' Uncenter program, which usually manages computer networks for big companies, the project sends information about the car by radio to its mechanics. "The pressure, RPM, torque — this way, when that car comes into

the pit, they know what to do."

In a more mundane application of this technology, the company is involved in a pilot project with the Wal-Mart Stores Inc. retail chain to monitor vending machines. The units use the airwaves to keep their owners up to date on what items are being purchased "so you don't have a guy that goes around to every machine and writes down on his clipboard" which items have been purchased.

Because the vending machines are in constant contact with their owners, not only can they be efficiently restocked but prices could be adjusted to reflect demand.

Mr. Wang said he thought many corporate chief executives failed to take advantage of technology in ways like these. "I want them to look at technology differently than the way they have been looking at it," he said. "I want them to look at it in terms of what you can do for your business, and not just accounting."

The Trib Index Prices as of 4:00 PM New York time

	Jan 1, 1992 = 100	Level	Change	% change	year to date % change
World Index	189.16	-0.29	-0.15	+9.91	
Regional Indexes					
Asia/Pacific	89.18	-0.56	-0.62	-7.17	
Europe	217.98	-0.79	-0.36	+12.92	
N. America	263.39	+0.35	+0.13	+21.95	
S. America	93.79	+1.18	+1.27	-38.57	
Industrial Indexes					
Capital goods	268.23	+0.27	+0.10	+28.89	
Consumer goods	236.70	+0.08	+0.03	+12.86	
Energy	199.99	-1.39	-0.70	+1.04	
Finance	129.45	-0.02	-0.02	+4.46	
Miscellaneous	171.50	-2.88	-1.65	+14.42	
Raw materials	170.21	-2.55	-1.48	+1.78	
Services	198.20	-0.52	-0.26	+13.71	
Utilities	178.05	+0.60	+0.34	+6.70	

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 250 internationally investible stocks from 25 countries. Compiled by Bloomberg News

AMEX

Tuesday's 4 P.M. Close
The 200 most traded stocks of the day, up to the closing on Wall Street.

Stock	S&P	High	Low	Last	Chg
IBM	174	174 1/4	174 1/4	174 1/4	+1/4
Microsoft	167 1/2	167 1/2	167 1/2	167 1/2	+1/4
Oracle	167 1/2	167 1/2	167 1/2	167 1/2	+1/4
Amazon.com	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Apple	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Google	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Yahoo	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Alibaba	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Facebook	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Twitter	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
LinkedIn	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Slack	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Dropbox	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
Evernote	148 1/4	148 1/4	148 1/4	148 1/4	+1/4
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EUROPE

Hoechst Plans to Spin Off Chemical Units

Frankfurt — Hoechst AG said Tuesday it would spin off its chemical units to focus on its more profitable pharmaceutical and agrochemical businesses, a move that some analysts said could presage a merger with Rhône-Poulenc SA.

In the spin-off, Hoechst shareholders will get one share in a new company called Celanese Corp. for every 10 Hoechst shares they own as the company continues to dispose of noncore businesses.

Underlining the motivation for the transaction, Hoechst reported Tuesday that the chemical units were largely responsible for a greater-than-expected 87 percent drop in third-quarter profit.

Third-quarter earnings at the main chemicals unit, Celanese and Ticona, fell sharply, depressing

Hoechst's earnings to 60 million Deutsche marks (\$35.9 million) from 446 million DM a year earlier. Sales dropped 15 percent, to 10.23 billion DM from 12.07 billion DM.

Earnings at the life-sciences units — Hoechst Marion Roussel, AgrEvo, an agrochemicals joint venture with Schering AG, and Hoechst Roussel Vet, the animal-health division — fell 6 percent, to 344 million DM, Hoechst said.

Hoechst shares fell 2.85 to 76.25 DM after the announcement. The shares had risen sharply in the past month amid speculation that Hoechst and Rhône-Poulenc, the biggest drug company in France, were close to announcing they would merge.

The companies have declined to comment on the rumors. Hoechst's chief executive, Jürgen Dornann, again stopped short of confirming that there were negotiations with Rhône-Poulenc, saying he would not comment on rumors.

Still, he indicated that Hoechst was open to mergers, saying the spin-off would offer "new options for Hoechst and Celanese to participate in the further consolidation of their respective industries."

A Hoechst-Rhône-Poulenc link would create the world's second-biggest drug company, behind Merck & Co., with annual pharmaceutical sales of about \$12.9 billion.

The new Celanese, for which Hoechst plans to seek listings in Frankfurt and New York, had produced 1997 sales of about 9.7 billion DM. Initially, Hoechst planned to sell those units in public offerings.

The company would have about 15,000 employees and generate almost half its sales in the United States, where it also has about 80 percent of its production. Hoechst said Celanese makes polymers and acrylics, which are used to make industrial and consumer products.

A public offering would have been "too slow," Mr. Dornann said, adding that "a direct sale to an acceptable price would also not have been possible in the current environment," as chemical prices declined.

The company last year sold its specialty-chemicals unit to Clariant AG for about \$3.1 billion, and it said last month it had agreed to sell its herbicides division to Du Pont Co., the biggest U.S. chemical company, for \$1.9 billion.

OECD Says West Should Cut Rates to Spur Growth

Paris — Central banks in the United States and Europe should cut interest rates to spur their slowing economies, the OECD said Tuesday, adding its voice to a chorus of politicians on both sides of the Atlantic that have called for easier money.

At the same time, the Organization for Economic Cooperation and Development warned in its semiannual economic outlook that those countries should not raise government spending or reduce taxes.

The OECD, as expected, lowered its forecasts for growth among the world's major industrialized nations, citing a slowdown in trade and weakening business confidence after financial trouble roiled emerging markets.

The Paris-based organization said economic growth in its 29 member countries would slow to 2.2 percent in 1998 from 3.2 percent in 1997 and then slow again to 1.7 percent in 1999 before rebounding to 2.3 percent in 2000. Six months ago, the OECD expected its members' economies to grow 2.4 percent in 1998 and 2.5 percent in 1999.

"Some calm has returned to international financial markets following 18 months of sharp, and widening, turbulence," the OECD said in its report.

Europe will expand faster than the United States during the next two years, while Japan's economy, after contracting 2.6 percent in 1998, will barely grow during the following two years, it said.

The report assumes that the 11-nation European monetary union will begin Jan. 1 with the European Central Bank's interest rates at the 3.30 percent level now prevailing in Germany and France but says there would be room for cuts after that.

Telefonica Signals Deep Staff Cuts

Madrid — Telefonica SA said Tuesday that it would take a fourth-quarter charge of 298 billion pesetas (\$2.10 billion) against its reserves to pay for future staff reductions and help maintain annual profit growth of 15 percent to 20 percent through 2001.

The average early retirement costs the Spanish phone giant 15 million pesetas, analysts estimate, which means the charge could pay for cutting almost 20,000 workers, or about one-third of the domestic work force. Including Latin American operations, Telefonica has more than 90,000 workers.

The company did not give details of its planned staff reduction.

"That would be the very top end of the range of what people had thought," said James Sawell of Deutsche Morgan Grenfell in London, "but it is possible that it might not be far short of that, given their track record."

Growing competition in Spain and Latin America has squeezed Telefonica's profit. The company must cut costs to sustain double-digit profit growth, analysts say, though they added that the charge could signal deeper staff cuts than expected.

"It looks like they are trying to make a drastic cut in costs," said Gerardo Rodriguez, a fund manager at Gesmadrid.

Telefonica shares finished down 70 pesetas, at 6,280, after rising more than 4 percent Monday.

Telefonica has forecast full-year profit of 215 billion to 220 billion pesetas, a rise of as much as 16 percent from 1997. The company has cut 10,000 workers since 1994, when it inaugurated the first in a series of early retirement plans. It is now seeking to eliminate 11,000 positions by 2001. In the first 10 months of this year, 7,970 workers opted for early retirement, and the company expects that number to rise to 9,300 by the end of the year.

Volvo to Trim Its Work Force

Gothenburg, Sweden — Volvo AB said Tuesday it planned to reduce its work force to help it reach its growth and profit goals.

While the company would not specify the number of jobs to be eliminated, the Stockholm business newspaper Dagens Industri said 2,900 to 4,300 positions would be cut.

Volvo said it would make an announcement Monday. The newspaper said that 10 percent to 15 percent of managerial and administrative jobs would be eliminated.

Volvo employs about 73,000 people worldwide, of whom 29,000, or about 40 percent, are white-collar, meaning managerial or administrative workers. Of the 44,000 Volvo employees in Sweden, 16,000 have white-collar jobs.

Volvo warned last month in its third-quarter earnings report that it would need to focus on cost-cutting to maintain the growth-oriented strategy that it announced a year ago.

Volvo shares rose 2 kronor (25 cents) to close at 175 in Stockholm trading.

(Bloomberg, AFP)

Loss From Hedge Fund Hurts UBS's Net

Zurich — UBS AG, the world's second-largest bank, said Tuesday that its earnings fell 32 percent in the nine months of the year, hurt by turmoil in the financial markets, including steep losses stemming from a hedge-fund investment.

Net income fell to 2.6 billion Swiss francs (\$1.89 billion), UBS said. In the third quarter, UBS had a loss of 911 million francs, after an implied profit of 982 million francs a year earlier.

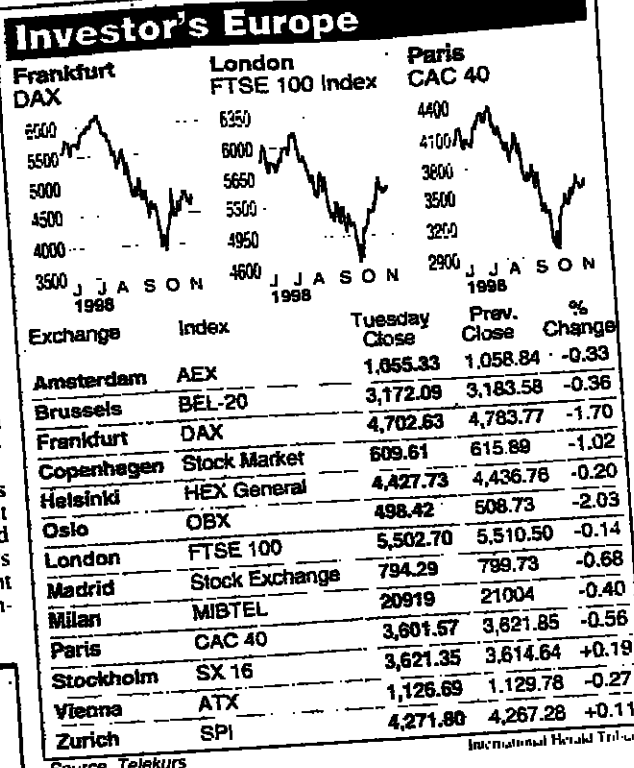
Like other banks, UBS suffered from a slump in securities prices during the third quarter. It was also hurt by the collapse of the hedge fund Long-Term Capital Management Ltd. Earnings were "heavily in-

fluenced" by a 1.01 billion franc write-down of its derivatives positions and its loss from Long-Term Capital, UBS said.

"The economic collapse in Russia and severe setbacks experienced in emerging markets also took their toll," the bank said.

The bank said the more stable trend on the financial markets after interest-rate cuts in several countries and an International Monetary Fund package for Brazil should contribute to an improvement in the fourth quarter. Still, the bank warned that the gains during the fourth quarter would be minor, saying it seemed likely that there would be a rise in its provisions because of a settlement of Holocaust-era accounts.

(Bloomberg, AFP)



Exchange	Index	Tuesday Close	Prev. Close	% Change
Amsterdam	AEX	1,065.33	1,058.84	-0.33
Brussels	BEL-20	3,172.09	3,183.58	-0.36
Frankfurt	DAX	4,702.63	4,783.77	-1.70
Copenhagen	Stock Market	609.81	615.89	-1.02
Helsinki	HEX General	4,427.73	4,436.78	-0.20
Oslo	OBX	498.42	508.73	-2.03
London	FTSE 100	5,502.70	5,510.50	-0.14
Madrid	Stock Exchange	794.29	799.73	-0.68
Milan	MIBTEL	20919	21004	-0.40
Paris	CAC 40	3,601.57	3,621.85	-0.56
Stockholm	SX 16	3,621.35	3,614.64	+0.19
Vietnam	ATX	1,126.69	1,129.78	-0.27
Zurich	SPI	4,271.80	4,267.28	+0.11

Source: Reuters

Very briefly:

• Lufthansa AG doubled its nine-month pretax profit to 1.98 billion Deutsche marks (\$1.19 billion), despite fierce competition and price pressure. Sales at the German airline rose 4.9 percent from a year earlier, to 16.4 billion DM. Lufthansa said it expected a pretax profit of more than 2 billion DM for the full year, compared with 1.6 billion DM last year.

• Valmet Corp. and Rauma Ltd., Finland's largest makers of industrial machinery, agreed to merge, forming a \$1.6 billion company, as falling paper prices prompt papermakers to order fewer machines.

• Alitalia SpA expects its 1998 profit to be "close to" the 438 billion lire (\$265 million) it earned last year because of cost cuts and an increase in business travelers. The Italian airline said preliminary third-quarter revenue rose 4.5 percent.

• Ausliare SpA, an Italian freight-services company, was suspended from trading for three days pending a board meeting called for Thursday to address accusations of illegal loans.

• FirstGroup PLC plans to cut as many as 600 jobs, or 2 percent of its work force, this financial year from its newly acquired train and bus companies. The announcement came as Britain's largest bus operator reported that profit from its rail and airport businesses rose 15 percent, to £26.6 million (£4.6 million), in the six months that ended Sept. 30.

• BOC Group PLC's pretax profit for the year ended Sept. 30 fell 44 percent from a year earlier, to £347.2 million. The British industrial-gases company also said it would cut 400 jobs, mainly in the Asia-Pacific region, in addition to the 5,000 job cuts announced in August.

• Ireland's consumer prices rose 2.9 percent in the year to October, down from 3.0 percent in the 12 months ended in September, as lower food prices narrowed the gap between Ireland's inflation rate and those of the other 10 countries starting the euro in January.

WORLD STOCK MARKETS

Tuesday, Nov. 17
Daily prices in local currencies.

High	Low	Close	Prev.
Amsterdam	1,065.33	1,065.33	1,058.84
Brussels	3,172.09	3,172.09	3,183.58
Frankfurt	4,702.63	4,702.63	4,783.77
Copenhagen	609.81	609.81	615.89
Helsinki	4,427.73	4,427.73	4,436.78
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London	5,502.70	5,502.70	5,510.50
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Stockholm	3,621.35	3,621.35	3,614.64
Vietnam	1,126.69	1,126.69	1,129.78
Zurich	4,271.80	4,271.80	4,267.28

Market Closed

The Jakarta stock market was closed Tuesday for a holiday.

High	Low	Close	Prev.
Amsterdam	1,065.33	1,065.33	1,058.84
Brussels	3,172.09	3,172.09	3,183.58
Frankfurt	4,702.63	4,702.63	4,783.77
Copenhagen	609.81	609.81	615.89
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INTERNATIONAL INVESTING

For Computer-Game Makers, 'Tis the Season to Make Profits

By Seth Schiesel
New York Times Service

NEW YORK—When the computer-game industry envisions the holiday season, it sees fighter jets, Al Capone and a bizarre Swamp Thing-like creature called Abe.

Those are just a few of the characters that the game companies are counting on for a lift at the end of a year that has been only slightly more rewarding than a player's computer freezing just as the final goal is in sight.

It is not that players have been deprived of new diversions this year. But the picture has not been captivating for investors.

The industry's medium-sized stal-

warts, including Activision Inc., GT Interactive Software Corp. and Eidos PLC of Britain, have seen their stocks decline or post only meager gains since Jan. 1. Many of the electronic-game stocks that have risen, including those of Acclaim Entertainment Inc. and 3DO Co., have been extremely volatile.

It has not helped that two of the industry's most important developers—Blizzard Entertainment and Sierra Online—are owned by Cendant Corp., which has been reeled by disclosures of accounting irregularities. The stock of Electronic Arts Inc., the industry's dominant company, has risen 16 percent this year.

Much of the problem has been that a game company's quarterly performance can often ride on a single title, in much the

same way that a movie studio's fortunes wax and wane with each new film.

"The Street is accustomed to asking for forecasts 12 to 14 months in advance, and that can be tough to provide, because there is an intersection of the business with the creative process," said Ronald Chaimowitz, chairman of GT Interactive. Mr. Chaimowitz is counting on Abe, the creature, to make a success of one of GT's main titles, Abe's Exodius.

Robert Kotick, Activision's chief executive, said that only as companies became large did they gain the ability to manage their businesses effectively by shuffling projects. For instance, when Sin, a highly anticipated Activision game, failed to materialize last quarter, the company was able to rush out a

package of remakes of old Atari games to fill its place.

"Before, we would not have been able to do that, because you don't have enough to work with," Mr. Kotick said. Now, Activision is depending on Sin to bolster its holiday sales.

Investors have taken note. "There's a flight to quality among investors that's favoring companies with extremely good execution and predictability," said Lawrence Marcus, an analyst for BT Alex. Brown in San Francisco. "This holiday season should be strong."

Mr. Marcus predicts that the stock of Electronic Arts, which was trading at \$43.375 early Tuesday, will reach \$51 in six to 12 months. His target for Activision, priced at \$13.50, is \$18. Steph-

en Fleming, an analyst with BancBoston Robertson Stephens, has a six-month target of \$11 on Acclaim, which was trading early Tuesday at \$8.5625.

The holiday season will give each game company a chance to make 1998 a success. Last year, for instance, the fourth quarter provided about 81 percent of Electronic Arts' earnings for its fiscal year, which ended in March.

With less than two weeks until the start of the holiday shopping season, many are optimistic.

"When all the returns are in and we look at the sell-through results for the full calendar year," said Lawrence Probst, chairman of Electronic Arts, "I think this will be the biggest year in the history of the video-game industry."

No. 2 Gamemaker
Profits on Dollar

Bloomberg News

KYOTO, Japan—Nintendo Co. said Tuesday that the weaker yen had lifted its first-half parent-company earnings 28 percent even as the maker of video games cut prices.

Net income climbed to \$1.6 billion yen (\$259.1 million) in the six months ended Sept. 30 from 24.67 billion yen a year earlier. Sales fell 1.4 percent, to 200.2 billion yen.

Nintendo, whose Nintendo64 machine trails Sony Corp.'s PlayStation in the \$15 billion world video-game market, cut prices overseas as the strong dollar lifted its earnings in yen terms. Nintendo gained 8.5 billion yen on foreign-exchange earnings.

Very briefly:

• The Bank of England believes there are practical and philosophical reasons not to regulate hedge funds, according to the latest issue of its Financial Stability Review. The periodical said that while the purpose of regulating investment funds was generally to prevent excessive risk-taking, "investors in hedge funds have deliberately embraced a high-risk, high-reward strategy outside the regulated sector."

• Shares of the 12 holding companies spun off from Telecommunications Brasileiras SA began trading on the New York Stock Exchange on Monday, bolstered by the rescue agreement reached between Brazil and the International Monetary Fund last week.

• The investment banker who pooled David Bowie's music royalties to create a landmark bond deal said he had persuaded Duane Hinchings, a songwriter who has created hits for pop musicians such as Rod Stewart, Kim Carnes, Tupac Shakur and Notorious B.I.G., to exchange revenue from future royalties for an advance cash payment.

• Morgan Stanley Dean Witter & Co.'s chairman, Philip Purcell, said capital would return to Asia in 1999 after a series of positive developments including the U.S. Federal Reserve Board's decision to depart from its long-standing emphasis on fighting inflation to respond to the Asian crisis.

Reuters, NYT

Space on Santa's Sleigh Is Tight: Asia Imports Cause Cargo Crunch

Bloomberg News

CHICAGO—Somewhere on a ship out in the Pacific, Machine Man and Robby the Robot are trapped in shipping containers moving slowly east.

The toys, made in Japan for the Illinois-based company Rocket USA Inc., are headed for U.S. store shelves—and the company had hoped—for a choice spot under the Christmas tree.

But the toys are going to be late, victims of a cargo-space squeeze caused by record imports from Asia this holiday season. The crunch has delayed shipments by as much as three weeks—a costly wait at this time of the year, when retailers, toymakers and others make most of their money.

"We're looking at some of our items hitting us Dec. 26 or 27," said Michael Perry, president of Rocket USA, a closely held maker of toys and collectibles. "That doesn't work too well."

The squeeze could get worse. Pilots at FedEx Corp.'s Federal Express—the world's largest express package delivery company and one of the biggest U.S. cargo carriers serving Asia—are refusing to work overtime in protest over stalled contract talks. The pilots are threatening to strike as early as Dec. 4.

The surge in cargo has been sparked by a slump in Asian currencies, which has made goods from the region a bar-

gain for U.S. importers and consumers. Japanese and other Asian companies also are pushing exports to make up for a decline in their home economies.

Holiday imports from Asia are expected to top \$35 billion this year, up from \$34 billion in 1997, according to DRI, a unit of McGraw-Hill Cos.

That seemingly modest increase reflects the lower prices; physical shipments will rise more than 12 percent, DRI says. More than half of the merchandise in U.S. stores for the holidays, and an even higher percentage of the toys, comes from Asia, according to DRI.

The onslaught has triggered a rush for cargo space and increases in shipping costs, some of which are likely to be passed on to consumers. On average, transportation costs account for 7 percent of the price of consumer goods.

Rocket USA, for example, is starting to shell out extra money to ship by air—a move that many makers and sellers of toys, electronic goods and clothing will



PLAYING VEGAS—Bill Gates, left, chairman of Microsoft Corp., playing a computer game with an employee during his speech at the Comdex trade show in Las Vegas.

have to consider in the next few weeks as they run out of time to ship by sea.

Flying Robby the Robot from Asia to America is not cheap. It costs an average of \$2.50 a kilogram (2.2 pounds) to ship goods by air, compared with 11 cents a kilogram by sea, according to Merge Global Inc., a cargo research firm in Arlington, Virginia.

"You get to a point where you don't care what it takes, you have to be on the

\$129, down from \$149 last Christmas.

Some ocean-shipping companies, including Japan's three largest, took advantage of the surge in goods from Asia as early as last May, when they raised the standard rates on westbound freight by an average of \$300 per standard container, to \$1,400. That was the first such increase in almost 10 years.

"Because exports are so weak, we've got to make the money on the imports,"

said Tom Craig, general manager of LTD Shippers Association, a cooperative of importers based in Exton, Pennsylvania.

UAL Corp.'s United Air Lines is among the shippers trying to keep up with demand.

"We're full, full, full every single day out of Asia," said Michael Zolnierowicz, United's director of worldwide cargo sales.

Among other products, the airline is flying lots of Sony PlayStation and Nintendo64 video game players from Japan to U.S. stores. The toys sell for

said Clint Eisenhauer, a spokesman for CSX Corp.'s Sea-Land Services, the largest U.S. ocean-container shipping company. "We started warning anyone who would listen that there was going to be a very tight crunch."

Smaller importers have complained that ocean shippers are taking advantage of the space crunch by tacking on illegal surcharges for goods from Asia. The U.S. Federal Maritime Commission is investigating the allegations.

In addition, United and other carriers are flying fewer passenger planes to Asia, which means they have less cargo-hold capacity for rush shipments.

Some retailers, including Sears, Roebuck & Co. and Wal-Mart Stores Inc., say they heeded the warnings and made sure their goods were brought in early this year.

Brookstone Inc., which gets about one-third of its merchandise from Asia, says it spent \$100,000 to import its goods 30 to 60 days earlier than normal. Pier One Imports Inc., the largest home furnishings specialty retailer, said it had all of its holiday goods in the United States by the end of June.

"We brought in merchandise between 46 and 60 days early to ensure we were well-stocked for the holidays," said Stephen Mangum, chief financial officer of Pier One.

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At the time, "ailing" was almost part of Chrysler's name, while Nissan was

By contrast, in 1980 Nissan was tearing up the world. Its Datsun was a huge success in the United States. Nissan was doing so well that in the spring of 1980, David Halberstam, one of America's best and brightest authors, began his research on a book that contrasted the

rise of Nissan, Japan's second-largest auto company, with the declining Ford. America's second-largest auto company—by the time Mr. Halberstam's book, "The Reckoning," appeared in 1986, the companies' relative rankings had shifted slightly. Today, Ford considered one of the most successful auto companies in the world, and Nissan is considered one of the least successful.

Chrysler's federal loan guarantees were controversial — lots of people said the company should be allowed to fail because its desirable products and efficient plants would find new and bettered homes after a corporate bankruptcy — but the guarantees worked beautifully. Not only did Chrysler get the loans, but not one did Chrisleese, the Treasury actually made money on the deal. That is because as part of the loan agreement,

"'Help' is a word that really makes us cringe," a Nissan North America spokesman said. "We're a huge company that needs a lot of working capital. Our credit dried up. There is a huge credit crunch in Japan."

Chrysler's problem 20 years ago was that it made inferior cars that no one wanted to buy. Nissan's problem is that it makes good but unexciting cars that no one wants to buy — and tried to cover up the problem with flashy advertising. It did not work.

The Chrysler-Nissan reversal is a beautiful example of how conventional wisdom is often folly. When Chrysler

But do not be so sure. I am not predicting that 18 years from now, Americans and Japanese companies will have made another penthouse-outhouse switch. But I will bet that in the not-too-distant future, America's late-'90s boasting will look as foolish as Japanese '80s boasts look today. What goes around, comes around — often when you least expect it.

Bloomberg News
DETROIT — On a recent nine-hour drive to Detroit from West Virginia, the president of Chrysler Corp., Thomas Stallkamp, played German-language tapes over and over. For his wife, Ann, the thrill of making the drive in a new Chrysler 300M luxury sedan faded against the drone of elementary German.

For Mr. Stallkamp, though, learning German has assumed a practical and symbolic urgency. He is the executive who, more than any other, is in charge of melding Chrysler and Daimler-Benz AG after the German company's \$36 billion takeover of the third-largest U.S. automaker.

The stock of the combined company began trading Tuesday in Frankfurt, where it was down 150 Deutsche marks at 139.20 (\$83.48) in late trading, and in New York, where it was down \$1.50 at \$82.8125 at midday.

Learning German and taking the cultural-training classes offered to American employees of the new DaimlerChrysler AG are optional. But such things are important, especially for "managers," to understand that there are differences," said Mr. Stallkamp, who is now president of DaimlerChrysler Corp., the company's U.S. entity.

That may be putting it mildly. From product

Bayerische Motoren Werke AG is spending more time and money than it planned to integrate its British unit, Rover PLC. Its European market share slipped in the first 10 months, largely on declining Rover sales, to 5.2 percent from 5.8 percent a year earlier.

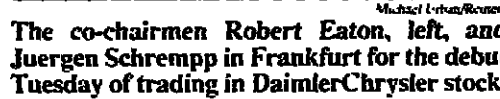
Chrysler is a "money-printing machine," cranking out cars at little cost, Mr. Schmidt said, while Daimler offers high-technology sedans with price tags that reflect their high production costs and cutting-edge gadgetry. Much of the difference in price is accounted for by labor costs. About 177,000 of Daimler's 320,000 employees produce about 1.2 million vehicles annually. Chrysler's 110,000 employees produce about 3 million vehicles.

"Clearly, both sides are very interested in preserving their brands," Mr. Stallkamp said.

"The biggest red herring is that of synergistic effects," Mr. Schmidt said.

DaimlerChrysler has only a 60 percent chance of succeeding because of the gap in cultures, said Lothar Lubintzki, an analyst at London-based Enskilda Securities.

"Some Daimler guys will have to go over and show Chrysler engineers how to make cars," he said, and Chrysler engineers are unlikely to respond positively to the criticism. Chrysler cut-cutters, meanwhile, will need to cross the Atlantic and teach Daimler a thing or two about trimming production fat to beef up the bottom line, Mr. Lubintzki said.



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Conditions of Entry: All architectural firms that have existed since January 1, 1985, may enter the competition.

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Guidance Document: A guidance document will be sent free to all those firms whose entries are in conformity, by March 15, 1999.

Preliminary Qualification Procedure: The preliminary qualification files must be received by WIPO by May 15, 1999, at the latest, and be accompanied by the payment (or proof of payment) of the entrance fee of 300 Swiss francs or 225 US dollars.

WIPO will invite those candidates best meeting the preliminary qualification criteria to submit their designs.

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ASIA/PACIFIC

Moody's Lowers Japan Debt Rating

By Stephanie Strom
New York Times Service

TOKYO — Japan, with its vast foreign-currency reserves, ever-increasing trade surplus and impressive levels of domestic savings, is no longer a triple-A credit.

The decision Tuesday by Moody's Investors Service Inc. to lower its ratings on Japan's sovereign debt will have little practical effect on the Japanese government, and its impact on corporate borrowing costs was a matter of debate among analysts here.

But by calling into question the government's efforts to resuscitate the economy and wondering aloud whether Japan's bureaucratic, regulatory, and political systems still had enough clout after an eight-year economic slide to cope with the problems, Moody's raised the notion that Japan's more than \$800 billion of stimulus packages, a \$208 billion rescue package for its financial system and a historically unprecedented easy monetary policy have been for naught.

"It may be difficult for the present government or possible future governments to balance conflicting policy objectives of the long run to achieve a durable recovery in economic growth, to relieve the fiscal burden of the government and to restore solvency and vitality to the financial sector," Moody's said.

Moody's lowered its rating on securities issued or guaranteed by the government of Japan from Aaa, its top rating, to Aa1. The rating concern also lowered its foreign-currency ratings on bonds, notes and bank deposits for Japan from Aaa to Aa1.

The change made Japan's credit rating lower than that of Italy, which is now a triple-A credit. It also made Japan the second member of the Group of Seven leading economies with a credit rating below triple-A, joining Canada, whose sovereign debt is rated Aa2 by Moody's.

The Japanese government departed from its usual silence on the matter of credit ratings to denounce the Moody's decision. "Japanese government bonds are the most trusted in the world," said Finance Minister Kiichi Miyazawa.

Mr. Miyazawa said Japan would issue about 35 trillion yen (\$287 billion) of government bonds by the

end of the fiscal year March 31 and said they were selling well and at low yields.

Hisako Sakakibara, the deputy finance minister for international affairs, suggested that the downgrade raised more questions about the credibility of Moody's than about Japan's. "Personally, I think if Moody's continues to behave like that, the market evaluation of Moody's will go down," he said.

Major credit-ratings concerns have been criticized for failing to spot the poor credit quality that is at the core of Asia's problems, and several commentators dismissed the statement accompanying the Moody's downgrade as little more than a recitation of views expressed by others.

But some saw irony in the indignant remarks emerging from the Ministry of Finance. The ministry and its bureaucrats have long preached the virtues of fiscal austerity, the lack of which was one of the chief reasons underlying the Moody's rating change.

Craig Chudler, an investment strategist at Salomon Smith Barney, said, "The danger is not the direct impact of the rating — so many other things are going on that are affecting the cost of financing — but that the Japanese government is responding in a way that says it's not getting the point."

The markets, however, seemed little affected by the Moody's decision. The Nikkei stock average of 225 stocks sagged 15.27 points, or 0.11 percent, to 14,413.

Moody's Warns on Toyota

Moody's also cut its long-term outlook on Toyota Motor Corp., Japan's largest automaker, to "negative" from "stable." Bloomberg News reported from Tokyo.

The cut in Toyota's rating outlook affects nonyen-denominated borrowings of the automaker and of its California-based finance company, Toyota Motor Credit Corp., and other units. The Moody's outlook on Toyota's yen-denominated long-term debt remains "stable."

Moody's said the change had been due to its decision to lower Japan's ceiling on foreign-currency-denominated debt from Aaa to Aa1 and to maintain a negative outlook on that rating ceiling. Toyota declined to comment.



BOTTOMS UP — Toru Okajima of Asahi Breweries Ltd. drinking from a "steiny," the Japanese beermaker's returnable 334-milliliter glass bottle that can be opened by hand.

People's Bank Reorganized

Agence France-Presse

BEIJING — China's central bank has set up a regional structure along the lines of the U.S. Federal Reserve Board in what analysts said was an effort to limit the influence of local governments.

Instead of having branches in every province and major city, the People's Bank of China will have nine main branches — in Tianjin, Shanghai, Nanjing, Jinan, Wuhan, Guangzhou, Chengdu and Xian.

Chen Piaoru, a finance professor at East China Normal University, said the "main objective" was to give the central bank freedom to "implement its macroeconomic policies."

Some local governments "interfere" with the bank's business and policies, Mr. Chen said, so to develop the local economy, local governments ask it to approve loans or to relax monetary policies.

"Having regional branches will avoid and reduce local government interference," he said. Analysts said the problem was most serious in the southern provinces.

Hong Kong Extends Trading

The Hong Kong Futures Exchange will extend its trading hours by 30 minutes starting Friday to try to head off a challenge from a rival exchange in Singapore, Bloomberg News reported from Hong Kong.

Hong Kong To Merge Its Reserves Into Single Fund

Bloomberg News

HONG KONG — Hong Kong is merging the two main parts of its foreign-currency reserves into one portfolio totaling 946 billion Hong Kong dollars (\$122.17 billion), a move that could give it extra ammunition with which to protect its currency.

The Hong Kong Monetary Authority said Tuesday it was moving 211.4 billion dollars of assets from its Land Fund into the Exchange Fund, the trust set up to hold U.S. dollars to back the 15-year-old peg of the Hong Kong currency to the American one. The Land Fund is a remnant of the last 10 years of British colonial rule, when it received a portion of the proceeds from government land sales.

The change is "more for efficiency than anything else," said Joseph Yam, chief executive of the monetary authority. But with the larger Exchange Fund, he said, "psychologically you've got more reserves backing the currency."

The monetary authority is still working out a strategy for the management of the enlarged Exchange Fund, Mr. Yam said.

He said Hong Kong needed the extra cash as a result of a series of moves in September to strengthen the currency peg.

Mr. Yam said the Monetary Authority might need an enhanced portfolio of foreign reserves, in U.S. dollars, "directly backing" the monetary base.

Mr. Yam said the Land Fund's assets were 13.1 percent in equities — mostly in Hong Kong — 46.2 percent in debt securities and 40.7 percent in cash.

The Exchange Fund had about 20 percent of its assets in equities, including 153 billion dollars of stocks it bought in August to try to drive up the price of Hong Kong shares. Most of the rest is invested in debt securities, Mr. Yam said.

The stocks, which account for more than 7 percent of the benchmark Hang Seng Index, have since been moved into a new firm, Exchange Fund Investment Ltd., which was set up last month to manage that portfolio.

Investor's Asia



Exchange	Index	Tuesday Close	Prev. Close	% Change
Hong Kong	Hang Seng	10,148.58	10,296.08	-1.45
Singapore	Straits Times	1,235.76	1,241.74	-0.48
Sydney	All Ordinaries	2,676.66	2,674.50	+0.08
Tokyo	Nikkei 225	14,413.00	14,428.27	-0.11
Kuala Lumpur	Composite	464.12	462.02	+0.45
Bangkok	SET	344.08	345.10	-0.32
Seoul	Composite Index	424.43	422.21	+0.53
Taipei	Stock Market Index	7,131.95	7,003.87	+1.83
Manila	PSE	1,779.23	1,745.50	+1.93
Jakarta	Composite Index	Closed	356.27	
Wellington	NZSE-40	1,987.50	1,988.78	-0.56
Bombay	Sensitive Index	2,968.80	2,945.40	+0.79

Source: Reuters International Herald Tribune

Very briefly:

• **Development Bank of Singapore Ltd.**, Southeast Asia's biggest bank by assets, cut its prime lending rate to 6 percent from 6.5 percent. The reduction is in line with the falling benchmark interbank rate, which has dropped 2.25 percentage points since Sept. 10.

• **South Korea's Fair Trade Commission** will probe debt-guarantee practices in December, mainly among the country's top five industrial groups, or *chaebol*. The five biggest groups must submit timetables by February on unwinding existing debt guarantees among affiliates by the end of March 2000.

• **Shimizu Corp.**, the biggest Japanese general contractor, posted a parent-company net loss of 152.1 billion yen (\$1.25 billion) for the first half to September, compared with a profit of 2.9 billion yen a year earlier. Sales fell 13.1 percent, to 552.2 billion yen. Shimizu and other top construction companies said they had suffered from falling demand amid the recession at home and signaled a difficult future for their businesses.

• **Mondragon International Philippines Inc.**, a medium-sized property developer, faces closure of its golf-and-casino resort at a former U.S. air base after the government threatened to terminate its lease over the nonpayment of 427 million pesos (\$10.5 million) in overdue rent.

• **Macquarie Bank Ltd.**, the only listed Australian investment bank, said first-half earnings rose 25 percent, 80.5 million Australian dollars (\$51.4 million) as it made money helping clients control their exposure to the Asian economic crisis. The bank said it had a 26.6 percent return on equity.

• **Thailand** does not need to borrow additional funds from abroad, said Chaumongkol Sonakul, governor of the Bank of Thailand. "We should repay debt rather than borrow more," he said. He added that, with capital inflows averaging \$1.4 billion a month, Thailand's foreign-exchange reserves were sufficient.

MARKET: Small Investors Keep Faith

Continued from Page 1

down 25 percent from its peak. After pumping more than \$60 billion into mutual funds from May to July, investors in August yanked out \$11.7 billion, according to the Investment Company Institute.

Friendships were shattered. "One person told me he was sorry he ever met me," said Bill Steiner, a suburban New York investor who had given free advice to neighbors clamoring for a piece of the red-hot market.

The Dow Jones industrial average reached a low for the year of 7,400.30 in mid-October, a nearly 21 percent reversal from its closing record of 9,337.97 reached July 17. Stocks went through wide swings in September, with the Dow closing at 7,632.53 on Oct. 1. Stocks then began to rise again, and the mood shifted virtually overnight.

"We're all paid to be skeptics, and we probably see more of the dark clouds on the horizon than the average person. It's the naive response that has been a powerful driver of the recovery."

In mid-October when the chairman of the Federal Reserve Board, Alan Greenspan, announced a surprise cut in interest rates.

Meanwhile, corporate earnings beat expectations, and Democrats, contrary to the forecasts of many, gained seats in the House of Representatives in the congressional election this month, lessening the likelihood that President Bill Clinton will be impeached. That sign of steady political stability in Washington also played well on Wall Street.

Investors came back into the market, at first apparently to look for bargains after the downturn. That helped push the Dow above 9,000 points Monday for the first time since July. The benchmark index closed Tuesday at 8,986.28, down 24.97 points.

Mr. Steiner added the stocks of Motorola Inc. and Morgan Stanley Dean Witter to his portfolio.

But many investors left their bull-market-built complacency behind. Major money managers and dabbling day traders alike are highly skeptical that the market can maintain its course, pointing out that the world's problems are not over.

Further, the rise in the Dow has sparked carnage elsewhere by reflecting gains in the stocks of a handful of large corporations and failing to reflect the fortunes of smaller shares that have not budged from declines of as much as 50 percent.

Byron Wien, chief investment

strategist for Morgan Stanley Dean Witter, said, "There is a lingering feeling among portfolio managers that unfinished business of the bear market is ahead of us."

The market has become so unpredictable that investors are flocking to seminars for riding a rocky market, and a new breed of psychiatrist who deals with financial issues has emerged.

"The market is manic-depressive," said John Schott, a Harvard University professor who divides much of his time between managing money and treating patients on money matters. In a recent book, "Mind Over Money," he outlines three phases of the bear market. Anxiety and fear, the first, came in August, he said. Now the market is in Phase 2: panic. Next, he said, will be despair.

"If my theory is correct, we're going to see a retesting of the lull of October and maybe even below," he said.

The volatility has been fueled by a dichotomy in the makeup of the market. Professionals seeking to salvage their reputations by making quick profits are at odds with many individual investors whose holdings have nearly tripled since 1993, to \$3.3 trillion, as the proportion of U.S. households in the stock market has grown to one-third from one-quarter.

In a national survey late last month of customers of Charles Schwab Corp., 92 percent said they still believed the stock market was the best place for long-term investing. Similarly, 70 percent of people polled by the Mutual Fund Education Alliance said they had not changed their portfolio strategies since August.

"I did not push the panic button during the meltdown," said Tom Bass, a Missouri grain farmer. Instead, he said, he used Web TV to pick up some bargains and padded his portfolio with stocks he could not have afforded before, such as America Online Inc. and Starbucks Corp. Mr. Bass said he had tripled his money since he began investing four years ago, after reading the book "One Up on Wall Street" by the investment adviser Peter Lynch.

But many professional money managers are worrying aloud that once stocks recover their values, people will get out of the market.

"We're all paid to be skeptics," Mr. Tesma of T. Rowe Price said, "and we probably see more of the dark clouds on the horizon than the average person. It's the naive response that has been a powerful driver of the recovery."

Betsy Roselli, head trader at Black & Co. in Portland, Oregon, said many of her customers were buying low and riding the market but intended to get out. "There's a greedy, 'Quick, Pa, let me make some money' mentality," she said.

That was evident, she said, when the initial public offering for TheGlobe.com Inc. opened Friday at \$9 and hit \$97 immediately before retreating to \$63.

"It's freaky," she said. "It may be going up, but it's panic all the same."

Under U.S. Rules, NTT to Report A Half-Year Loss

Bloomberg News

TOKYO — Nippon Telegraph & Telephone Corp. will report its first-ever half-year group net loss based on U.S. accounting rules as Japan's largest telephone company takes a 462 billion yen (\$3.8 billion) charge from pension fund shortfalls and other expenses, the company said Tuesday.

The noncash charge mirrors write-offs taken earlier by regional Bell telephone companies in the United States and comes as government moves to open Japan's telecommunications industry start to hurt NTT's business.

"The convergence of competition, technological change, actual and potential regulatory and legislative actions and other factors are creating open and competitive markets," NTT said in a filing with the U.S. Securities and Exchange Commission.

The charge will not be reflected in earnings that NTT prepares under Japanese accounting standards, which are less rigorous than those of the United States. NTT, which will release group earnings under Japanese standards Friday, does not forecast semiannual group profit.

NTT is required to post earnings using U.S. accounting procedures and to meet SEC requirements because its American depository receipts are traded in the United States. The differences in accounting standards often produce different results.

TIME: Issue's Sole Advertiser Briefs Editor

Continued from Page 13

about children was sponsored by Johnson & Johnson, the eighth-largest advertiser in consumer magazines. According to a former Newsweek staff member, who insisted on anonymity, Johnson & Johnson executives and Newsweek editors attended planning meetings for the special issue.

E. Bruce Hallett, president of Time magazine, said Mr. Scamman "certainly went over there and outlined the conception of the editorial proposition, about which we are very enthusiastic, of course. That's part of doing a good job for any advertising customer."

"Conceptually, it's not different from putting Walter into a roomful of advertisers to talk about the magazine," he said. "The editorial is a core part of what we are selling to the advertising community."

Why do a single-advertiser issue at all? Why not allow in a multitude of advertisers?

"I think in the business of advertising," Mr. Hallett said, "an advertiser wants to draw attention to itself, and I think that these issues obviously telescope that kind of effect. So I think for

EURO: Dollar Faces a Challenge in Asia

Continued from Page 1

Should some of these imbalances get redressed after January, there is plenty at stake.

If the euro gains in value against the dollar, central banks would prove to be big buyers of bonds denominated in euros, analysts said. That could put serious pressure on the value of the dollar, because there would be lower demand for U.S. Treasury bonds and therefore less demand for buying dollars.

The dollar could then fall, bringing renewed inflationary pressure, which itself could reduce the likelihood of further cuts in U.S. interest rates next year. Of course, there would also be benefits to a cheaper dollar, which would tend to make American products more competitive on foreign markets and thus be likely to increase exports.

While they see it as a possibility, though, many analysts say they do not expect an overnight movement into euros in the weeks after the debut of the euro Jan. 1, when individuals and businesses will be able to start using the euro for check, credit-card and financial transactions. The introduction of the physical currency will come two years later.

"Central banks in Asia tend to be much more conservative" than their counterparts in Europe, said Ma Guonan, an economist at Salomon Smith Barney in Hong Kong. As a result, he said, they might decide to wait a few months to see how the euro fares before undertaking major shifts in their reserve currencies.

On Nov. 1, Leon Brittan, vice president of the EU Commission and one of a series of EU officials recently in China to help talk up the euro, said Beijing would convert a "serious amount" of its \$141 billion in foreign-exchange re-

serves in 1999 from dollars to euros.

It is clear that in 1999 and beyond, Europe's money will play a greater role in Asian finance, as the European bloc begins trading in a currency that will be far more liquid than the individual European currencies are today. Governments in Asia, which today might not look closely at lending in Irish punts or Spanish pesetas, may well decide to buy Irish or Spanish bonds denominated in the same euros used by France and Germany.

As for companies and governments in Asia looking to issue new debt, "everybody's going to be looking to fund in the euro," said the head of origination at a European bank in Tokyo.

"The Japanese want to issue into the euro," he said. "People want to make use of this new megamarket." The euro may start slowly, he said, but a few large issues from supranational agencies such as the World Bank could give a major lift to confidence in the currency.

In fact, it is the bond market that could lead the way for a shift of central bank reserves. The changeover may not come so much in the shift of cash but rather in purchases of euro-denominated bonds with the proceeds of maturing dollar bonds, as well as with cash that is continuing to roll into central banks of Asian countries that are running current-account surpluses.

The United States is not the only country at risk in the event of a strong euro, however. Should the euro really take off, there is a danger that the much larger, more liquid capital market that results could suck investment into Europe at the expense of Asia, according to David Carse, deputy chief executive of the Hong Kong Monetary Authority.

"There must also be at least a possibility that closer integration of the EU could make it more self-contained and inward-looking," Mr. Carse said in a speech in Hong Kong last week. "Intra-EU trade could increase, while that with the rest of the world and Hong Kong could diminish."

In the first four months of this year, he said, Japan sold a net \$2.1 billion in stocks and bonds in Asia but bought \$9.9 billion in European securities. If this trend continues, he said, "extended diversion of capital to Europe would undermine Asia's growth prospects as well as Hong Kong's position as an international financial center."

Japan has also been aware of the problems linked to a strong euro. On Sunday, the chairman of the Fuji Research Institute, Toru Kusukawa, said Asian countries should peg their currencies not primarily against the dollar, as has been the case for years, but to a three-tier basket of currencies made up of the dollar, the euro and the yen, according to Agence France-Presse.

Japan may also be waking up to the fact that a move away from dollar funding in the bond markets would give it an opportunity to increase the disproportionately tiny amount of yen-denominated debt in the world's reserves.

A government task force that advises the Japanese finance minister said recently that the government should consider eliminating a series of withholding taxes on Japanese government paper.

Hyundai Says Price of Kia May Creep Up

Bloomberg News

SEOUL — Hyundai Motor Co. said Tuesday that it might have to pay as much as 6.5 percent more than it had expected to pay to take over Kia Motors Corp. after discovering more debt at the insolvent carmaker.

Hyundai originally agreed to pay 1.17 trillion won (\$888.8 million) for 51 percent of Kia and its Asia Motors Co. unit. It also agreed to assume a total of 6.6 trillion won in debt, including debts incurred after the company was placed in receivership.

Now, Hyundai says Kia has at least 10 percent more debt outstanding than it originally believed, giving it leeway under the terms of its agreement to renegotiate debt write-offs.

"Requests for more debt write-offs seem unavoidable," said Min Kyung Hwan, a Hyundai Motor spokesman. "But it won't mean the cancellation of the planned acquisition of Kia."

Kia creditors dispute Hyundai's assertion.

"We will have to find out whether Hyundai's evaluation of Kia assets was objective," said an executive in charge of the Kia sale at Korea Development Bank, Kia's major creditor. "From our own review, the huge gap is not possible."

Bickering about Kia's hidden debt could jeopardize the agreement to sell Kia to a stronger rival and bolster the nation's faltering auto industry.

The two sides are expected to sign a formal contract to complete the acquisition Dec. 1.

For Hyundai, the extra cost could prove prohibitive, some analysts said.

"The acquisition was already a big burden for Hyundai, and now the situation seems to be exacerbating," said Yung Dong Ki, an auto analyst at ING Barings. "Hyundai won't be able to see earnings growth until at least next year."

Kia has been operating under court receivership since it collapsed 15 months ago, helping to trigger a financial crisis that forced South Korea to seek a record \$60 billion international bailout.

The bankrupt company's operations have since been hurt by the lack of management control. Sales dropped 29.6 percent in October, their second-biggest monthly decline this year.

Kia's stock dropped 4.4 percent Tuesday to close at 1,645 won, while Asia Motors' shares rose 1.4 percent to 715. Hyundai Motor's shares rose 2.34 percent to 17,500.

PHARMACEUTICAL INDUSTRY / A SPECIAL REPORT

Mergers Give Industry Boost in Developing New Products

By Conrad de Aenlle

LONDON — To an industry afflicted with excess production capacity, a fragmented market and unforgiving regulatory regimes that put pressure on prices, corporate deal-making has been a useful tonic. The logic of combining operations has been compelling enough to generate more than \$150 billion of mergers and acquisitions among pharmaceutical companies in the last six years.

The factors motivating the deals have varied with the economic and political circumstances confronting the industry, according to officials at drug companies and at the investment banks that bring them together.

"Why deals were once interesting is different from why they are today," said Bob Bradway, head of the health-care investment banking group in Europe for Morgan Stanley Dean Witter.

In the early 1990s, he said, "the perception was that the way to grow business was to add to sales and marketing muscle." In a market so splintered that the leader captures just 5 percent of it, there is more room to grow than in an industry with a dominant participant. The sense was that the best way to boost sales was to boost the number of salesmen, and that the best way to do that was to buy another company rather than to hire them a few at a time.

In mid-decade, President Bill Clinton undertook an overhaul of the health-

care system in the United States, the industry's largest market. The prospect that drug prices would be depressed as managed-care programs became widespread resulted in "price competition for patent-protected products that the industry hadn't seen before," Mr. Bradway said. "There was concern that the industry was bloated and had excess capacity." Again the solution was to merge to try to reduce operating costs.

The Clinton plan did not come to much, but the idea of using government leverage to pressure pharmaceutical companies on prices has made its way to Europe, where state health systems are the norm. Reductions in drug reimbursements mandated in Germany in 1993 depressed sales there, and similar changes are occurring now in Italy.

In the United States, meanwhile, profit growth has picked up and companies again are merging to develop and sell new drugs as fast as possible.

"As we finish the decade, what we begin to see again are opportunities for attractive pricing and rapid growth due to new-product flow," Mr. Bradway said. There are two ways that drug companies can achieve this, he said: "innovate with new products, or buy them when they can't generate them on their own."

One trouble with the pharmaceutical business is that when a company does create a drug, the patent typically runs 20 years from its initial development. Considering the lengthy testing and approval process, that does not leave much time to exploit it.

One of the largest deals, the takeover of Wellcome PLC by Glaxo Holdings PLC in 1995, was propelled to a great extent by the approaching expiration of the patent on Glaxo's hugely successful ulcer treatment, Zantac.

"There were a number of factors" behind the acquisition, Martin Sutton, a spokesman for Glaxo Wellcome PLC, recalled. "We saw consolidation in the industry, the threat of the Clinton health-care reforms and the threat to margins in the industry, as well as the recognition that Zantac was a big portion of sales. There were these macro issues plus a very specific issue to Glaxo itself."

In 1994, just before buying Wellcome, Zantac produced more than 40 percent of Glaxo's sales. Given the company's pro-

jection — an accurate one, as it turned out — that sales would fall by up to 90 percent once the patent ran out, a new repertoire of products was desperately required. Wellcome, with strength in respiratory, anti-viral and central nervous system drugs, provided it.

The merger produced other benefits, including cost reductions from cutting 7,500 of the two companies' 60,000 employees.

"We were looking at two big companies with presences around the world," Mr. Sutton said. "In each country you look to have one head office, one sales force," where each had previously had its own.

When the offices were combined, so was research expertise, which enhanced

product development. For instance, Glaxo and Wellcome each had a drug to fight HIV, the human immunodeficiency virus that causes AIDS. Merging them, scientists at the merged company found, produced a cocktail more potent than either of them had had separately.

"In terms of R&D productivity, the number of products going into development is far above what was predicted for the individual companies," Mr. Sutton said.

The deals with the greatest likelihood of success, advised Francois Maisonneuve, managing director for health-care mergers and acquisitions at Credit Suisse First Boston, are those, like Glaxo Wellcome, with little overlap in product ranges.

The 1996 combination of Ciba-Geigy AG and Sandoz AG, which formed Novartis AG, was the industry's biggest deal ever, worth \$63.7 billion. Mr. Maisonneuve said it was particularly effective due to "the fairly complementary forces in the businesses they were in," as well as "the easy cultural mix and the easy M&A regulatory environment" because both companies were Swiss.

A key rationale for SmithKline Beecham Corp. and Beecham Group PLC, which merged in 1989, apart from complementary product ranges, was that they were from different countries, the United States and Britain, respectively.

"SmithKline had extensive market development in the States on the pharmaceutical side and Beecham Group had great strengths in consumer health care outside the United States," said

Alan Chandler, a company spokesman. The way the deal was structured, as a so-called merger of equals and not a takeover, helped it to go through, he said, because "if you haven't got a situation where employees on both sides are for the merger, it's not going to work."

But SmithKline Beecham is the exception; it was probably the last straight merger in the industry. Takeovers work better, Mr. Maisonneuve said, because they establish a clear organizational hierarchy for the combined company.

"You need an ultimate arbiter," he argued. "In a merger it's much more difficult to be surgical about decisions. It's very difficult to have two CEOs."

Drug companies are huge and the science is tricky, but as corporate entities, he said, they are relatively simple. The largest having "five or six products they need to worry about and five or six countries to operate in." That makes it an easier business than some others in which to put deals together.

Nonetheless, Mr. Maisonneuve said he expected the number of deals to diminish. "The deals that have worked best are when both companies were in a fair amount of pressure in terms of products going off patent and in terms of price pressure in their markets. The environment right now is actually quite benign for pharmaceutical companies. They don't have a huge gun to their heads."

CONRAD DE AENLLE is a writer in London specializing in economics and investment.

New Biotech Drugs Transform Market
Small Companies Proliferate

By Sharon Reier

PARIS — For followers of last summer's Tour de France, the world's premier bicycle race was a sorry chapter. The competition was virtually ruined as officials discovered that some athletes were using EPO, a biologically engineered drug that stimulates the production of red blood cells, giving athletes a competitive edge.

While EPO may not have the kind of anti-depressant Prozac, the anti-impotence Viagra or the tranquilizer Xanax command, it nonetheless has about \$1 billion a year in sales, and is being sold by companies like Amgen Inc., Genentech Inc., Boehringer-Mannheim GmbH and Johnson & Johnson.

There are other biotech blockbuster drugs in the offing. Genentech, one of the pioneers in genetic engineering, received approval from the U.S. Food and Drug Administration in September for its Herceptin, a drug for treating patients with metastatic breast cancer.

Some 60,000 women a year die of breast cancer in the United States, Eric Hecht, a research analyst at Merrill Lynch & Co. in New York, predicts that the drug, with a price tag of about \$20,000 for a year's therapy, will be a blockbuster. Herceptin has not yet been approved in Europe.

Two drugs. Two vastly different scenarios. But if the sums of money that venture capitalists, stock market investors and large pharmaceuticals are pouring into biotech research and development are any indication, biologically engineered drugs and processes should prove to be the primary source of medical innovation for decades.

In the 16 years since the human insulin drug Humulin, the first genetically engineered drug, was approved, more than 50 biotechnology products have come to market. Currently, there are more than 350 biotech medicines in development, according to the Pharmaceutical Research and Manufacturers of America.

But few small biotech companies will get these therapies to market alone. It takes as much as \$600 million to develop a drug. Thus all but the big biotech companies need the financial muscle and sometimes the regulatory and marketing expertise of the large pharmaceutical companies.

Eckhart Gwiner, communications director at Roche Pharmaceuticals' Research Strategic Unit, estimates that the world market for genetically engineered drugs rose to nearly \$15 billion this year. When less glamorous areas are added, such as bioorganisms that reduce pollution, bacteria used in extracting oil and minerals and the bioengineering of plants to make them withstand disease or harsh weather conditions, the biotechnology industry will generate

around \$50 billion in revenues by 2000.

Roche Pharmaceuticals was considered a pioneer in the pharmaceutical industry when it bought a majority share in Genentech in 1990 — a time when there was a lot of skepticism about the industry's future. Roche paid more than \$10 billion to acquire the German diagnostics company Boehringer Mannheim in 1997, making it a world leader in biotechnology diagnostics.

Mike Ward, editor of BioCentury, a newsletter that tracks biotech companies, said the number of European biotech companies rose from 716 in 1996 to 1,036 by the end of 1997, the last year for which figures are available.

"We are still seeing company formations," he said, "although not quite at the same rate." Mr. Ward said the number of people employed in the industry in Europe rose 42 percent in 1997 to 39,000. Money invested in research and development at European biotech companies rose to just under 2 billion European currency units (\$2.3 billion), up from 1.5 billion in 1996. And industry revenues grew 60 percent in Europe, versus 20 percent in the United States.

In part, this is due to government policy. The United States has long encouraged biotechnology research and development through the National Institutes of Health and the support of technology transfer offices at universities. Now European countries are doing the same. Fostered by a government program to create biotech companies,

Mr. Ward described a surge in Germany's biotech industry. "There are more biotech companies being formed in Germany than anywhere else put together," he said.

If companies are proliferating, so is the amount of information available to jumpstart innovation. This is a result of bio-informatics, a marriage of biotechnology and computer science. The discipline is creating so many new avenues of research that no single company can follow them all.

So voluminous is the data from bio-informatics that SmithKline Beecham PLC, the pharmaceuticals giant, is collaborating with companies like Schering-Plough Corp., Synthelabo of France and Takeda Chemical Industries of Japan.

According to Alan Archer, the communications chief for research and development at SmithKline Beecham, the company already spends more than half its \$12 billion R&D budget on genetically engineered therapeutics. "We are examining as many as 150 potential therapies," he commented. "But we have so much data, we can't possibly work on all the information on our own."

SHARON REIER is a freelance journalist based in Paris.

EU Weighs Lifting Of Price Controls
Bid to End Market Distortions

By Tom Buerkle

LONDON — After years of steadily rising complaints that tough regulations and price controls were harming the competitiveness of Europe's pharmaceutical industry, drugmakers appear to be gaining ground in their campaign for better treatment.

The European Commission next month is expected to urge national governments to consider lifting price controls on pharmaceuticals, and requiring individuals and private insurers to pick up more of the bill for prescription drugs, in order to maintain the industry's competitiveness and its ability to generate new products.

The recommendations are contained in a draft document that will be discussed at a meeting in Paris on Dec. 7 involving the commission, ministers from the 15 European Union nations and industry executives.

The meeting, the third in as many years, is aimed at tackling problems that stem from the fact that national health-care systems effectively control the price and availability of prescription drugs.

The controls raise questions about citizens' access to modern drugs and industry's ability to finance new products. They also have fostered a flourishing secondary market, known as parallel trade, by wholesalers who buy pharmaceuticals in low-priced countries such as Spain and resell them in high-priced markets like Britain and the Netherlands.

"The most straightforward way to resolve distortions in the single market in pharmaceuticals is for the member states to agree to refrain from setting maximum prices," the commission document states. Although the document acknowledges that parallel trade is undercutting drug company revenues, it rebuffs industry demands for immediate relief, insisting that pharmaceuticals must be allowed to circulate freely inside the Union.

The proposals are controversial and likely to face resistance from governments, which regard their health-care systems as vital national institutions. But industry and commission sources say there are grounds for optimism. Ministers from the 15 EU governments identified the distribution of pharmaceuticals as a problem earlier this year, and said the price of new prescription drugs should be related to their efficacy and cost-effectiveness.

The stakes in the debate are huge. The pharmaceutical industry is one of Europe's proudest success stories. It employs half a million people and turns out 40 percent of the world's pharmaceuticals, worth some 40 billion European currency units (\$46 billion) in 1996.

But the industry's voracious appetite for money to develop and market new drugs, and the public's demand to consume them, has run into a head-on collision with the strapped budgets of national health-care systems. Executives fear that the cash constraints will curb the innovation of an industry that spends 10 billion Euros a year on research and development.

Already the signs of slippage are evident. The commission warns that U.S. companies have overtaken EU ones in patent filings in recent years, while Europe is struggling to catch up in biotechnology.

The question of drug pricing in Europe also threatens to turn into a trans-Atlantic trade dispute, with complaints growing in the United States that Americans are, in effect, subsidizing European health care by paying higher drug prices.

The prospect of EU enlargement is adding urgency to the issue because most East European countries have incomes that are one-quarter of the EU average or lower, and cannot afford to pay EU drug prices.

In its draft document, the commission accepts much of industry's arguments about pricing. It acknowledged that parallel trade has been depressing drug prices across Europe — prices in the Netherlands fell 20 percent on average after the health system changed its pricing mechanism to reflect levels in other EU countries — and that price controls appear to delay the introduction of new drugs into some countries.

According to an industry study of 21 drugs introduced in Britain since 1990, the drugs were launched in Italy an average of 20 months later, in France 39 months later and in Portugal 41 months later. The delays stem from lengthy negotiations over pricing and the willingness of state health systems to reimburse consumers for the drugs.

"European citizens do not get access to modern medicines promptly," said Christie Kimmons, head of government affairs at SmithKline Beecham PLC. The best recent example is the impotence drug Viagra, which won regulatory approval by the EU in September but still is not available in many European countries because state health systems won't prescribe it or reimburse its cost.

THE commission calls for lifting the remaining price controls on over-the-counter drugs, which represent about 25 percent of the market, but proceeding more gingerly with patented and off-patent prescription drugs, where there often is little competition among suppliers. Even where controls remain tight, it says governments could allow consumers to buy new drugs at market prices outside the state health-care system, especially so-called lifestyle drugs.

Commission and industry officials hope to get a push on the pricing issue in the first half of 1999 when Germany, a country with a large pharmaceutical industry and relatively friendly regulatory tradition, takes over the EU presidency. The stance of the new Social Democratic government is still unknown, however, and moves to ease price controls are likely to take years.

In the short term, the industry is getting little comfort on parallel trade despite lobbying for an easier interpretation of single-market rules by the European Commission. "The commission doesn't have much room to maneuver on that issue," a spokesman said. "We can't restrict the free circulation of goods."

There are two test cases that are keeping industry hopes alive.

Glaxo Wellcome PLC earlier this year notified its intention to set an EU price list for drugs, and then negotiate specific discounts with the state health system in Spain and other countries. The aim is to supply drugs directly to the health system under contract and eliminate the potential for parallel trading. The European Commission is still studying the arrangement.

Buyer AG has taken a different tack, using monitoring techniques to supply only its estimate of the consumer demand for drugs in a country like Spain. The commission opposed the arrangement as a restraint of trade, but the Court of First Instance found in favor of Buyer.

The case is now on appeal at the European Court of Justice.

TOM BUERKLE is on the staff of the International Herald Tribune.

Clarifying the Ads:
U.S. Refines Rules
But Consumer Groups Unhappy

By Brian Knowlton

WASHINGTON — Until last year, pharmaceutical companies wishing to advertise on radio or television faced an odd conundrum.

The U.S. Food and Drug Administration would not allow them to run ads that stated both a drug's name and its purpose unless they included detailed information on risks and side effects. That was impractical in a 30- or 60-second ad.

The result was often surreal ads. For instance, one for Allegra stated: "This year, go far afield. Because this year, there's Allegra... So live with abandon." Many consumers were left puzzled as to the real nature of Allegra, an antihistamine.

Similarly, some women who had seen an ad for Claritin — "At last, a clear day is here" — actually asked their gynecologists whether they needed it. Claritin, too, is an antihistamine.

Partly in response to such confusion, the FDA issued new guidelines on the advertisement of prescription drugs — "guidance" in agency terminology — in August 1997.

Companies henceforth would be allowed to mention both the name and purpose of a drug, as long as the ads included information about the major risks and side effects, and told consumers how to obtain more detailed information.

Soon, Schering-Plough Corp., the maker of Claritin, was able to run ads that said: "Only one tablet means 24-hour, nondrowsy, seasonal allergy relief."

FACED with the need to recoup enormous investments on research and development and to promote the larger number of drugs being introduced in the market, the drug companies have dramatically expanded their consumer-targeted advertising — something that did not even exist before the early 1980s.

"This category of advertising, in general, has been extremely hot," said Lynn Fava, a senior analyst with the New York-based Competitive Media Reporting, which tracks advertising activity. She said she would be "absolutely stunned" if total ad sales for brand-name drugs did not top \$1 billion this year. That would be roughly a fourfold increase in just four years.

In the first nine months of 1997, U.S. pharmaceutical sales rose 12 percent, to \$69.4 billion. One-third of the recent growth has come from products placed on the market within the past two years.

However, not everyone is happy. Consumer advocates, and some scientists and medical professionals, say that ads that target consumers can be incomplete, overly technical and confusing.

"The industry claims a 60-second TV spot empowers consumers to make informed decisions about their drugs," said Larry Saich, a pharmacist with the Public Citizen Health Research Group, a consumer advocacy organization in Washington. "But the summaries they provide are written for health professionals. A lot of background knowledge is assumed."

Consumer groups also say the broadcast ads encourage people to demand drugs that they might not need, and that some doctors may prescribe them rather than offend or disappoint their patients.

"It's a big myth to say that physicians serve as adequate gatekeepers to protect consumers," Mr. Saich said. "Some new drugs end up outselling better-known older drugs with better safety profiles solely because of the advertising campaign."

There is some circumstantial evidence on how patients and doctors re-

spond to advertising. Scott Levin, a Pennsylvania-based consulting firm that follows the industry, surveyed patients who had asked their doctors for the popular and highly advertised mood-managing drug Prozac. In 92 percent of the cases, the survey found, the doctors provided it.

The figure alone is meaningless without case-by-case review. But as critics point out, Prozac is prescribed far more often by primary-care physicians, who generally lack specialized mental health training, than by psychiatrists.

The pharmaceutical industry and physicians' groups contend that some doctors may overprescribe. "But most doctors do the responsible thing," said Jeff Trewitt, a spokesman for the Pharmaceutical Research and Manufacturers of America, a trade group. "And we believe strongly, based on anecdotal evidence, that in most cases patients respect the recommendations of doctors."

The industry holds that there are benefits to ads that encourage people with real medical problems to seek help.

At least some consumer advocates agree. The National Consumers League says it expects TV ads will lead to more patient communication with physicians, not less.

An FDA spokeswoman, who asked not to be named, said that argument has some merit. "Anything that gets the patient in to see the doctor is not necessarily bad," she said.

But some consumer advocates complain that, even when information on risks and uses of drugs is made available to patients, it is not always in understandable form.

The Food and Drug Administration is reviewing ways to ensure that industry provides "understandable" information. The agency does monitor ads for fairness and completeness and to ensure that claims are scientifically supported.

The FDA spokeswoman said that companies are advised, though not compelled, to clear advertisements with the agency in advance. Companies found to have aired false or misleading ads will receive a so-called untitled letter from the agency, or more seriously, a warning letter. Beyond that, the agency can seize affected products or enjoin the use of promotions. Most companies comply willingly. The agency is expected to issue a revision of its 1997 guidelines in coming months.

It will not hear many complaints from the drugmakers, according to Mr. Trewitt. "From an industry standpoint, we think the new rule makes sense," he said.

Skyrocketing ad expenditures reflect that. In 1994, total ad spending on prescription drugs was \$223.8 million, Mr. Fava said. Last year, as the new guidelines were taking effect, it shot up to \$648.8 million. And this year, the total is expected to be between \$1.1 billion and \$1.2 billion.

Growth of television advertising alone has been even more dramatic. From \$6.6 million spent on network TV advertising in the 12 months from August 1994 to July 1995, the total rose to \$264.6 million from August 1997 to July 1998. The TV share of the total advertising dollar rose from 2.6 percent to 25.8 percent in that period. The largest category of advertising remains magazine ads, which rose from \$164.7 million to \$445.2 million in the same period.

BRIAN KNOWLTON is on the staff of the International Herald Tribune.

World Roundup

Korean Gymnasts Test Positive

GYMNASTICS The South Korean women's artistic gymnastics team has been withdrawn from next month's Asian Games after four competitors failed drug tests, officials said Tuesday. The four tested positive for furosemide, a banned diuretic that promotes weight loss. (Reuters)

Dr. Karlheinz Graff, the chief doctor for the German athletics team, said two athletes had asked him for plasma that can be used to fight blood thickening that can be a result of using EPO, a synthetic hormone that stimulates the production of oxygen-carrying red blood cells. (AP)

Youth Coaches Charged Over Bribes

SOCCER Prosecutors have charged 29 South Korean officials with corruption, including the head coach of the national youth team, officials said Tuesday. Others charged include coaches for high school and university teams. News reports said a referee was charged with match rigging, but the report could not be confirmed.

More than 10 parents of youths who allegedly bribed coaches to get their sons into college teams or to play in certain matches are also under investigation.

Park Sang-in, a former top player in South Korea, was allegedly charged with accepting a total of 22 million won (\$16,730) on 12 different occasions while coach of a high school team in the southern city of Pusan. (AP)

Star French Stiker Papin Retires

SOCCER Jean-Pierre Papin, the 35-year-old striker who played 54 times for France, has retired. Papin's clubs included Marseille, AC Milan, Bayern Munich, Bordeaux. He scored 326 goals. (AFP)

Bayern announced a record annual turnover of \$123 million dollars, a rise of \$20 million on the previous year. Profits rose from \$9.4 million to \$9.9 million. (AFP)

Lockout Means No Jam for NBA Fans

BASKETBALL The National Basketball Association lockout has claimed another casualty as the NBA canceled the Jam Session, a five-day fan event scheduled that precedes the All-Star Game. But the game, scheduled for Philadelphia on Feb. 14 has not yet been postponed.

Michael Olowokandi, the overall No. 1 draft pick in the NBA draft last June, says he will go to Europe to play if the lockout lasts another week or two. (AP)

Men's Teams Told to Wear Tight Clothes

VOLLEYBALL Seven men's teams at the world championships in Japan — including Italy, the defending champion, and the United States — were fined \$3,000 each for ignoring the sport's new dress code.

During the women's event, which ended last week, five teams were fined for refusing to wear skintight, swimsuit style uniforms.

FIVB, the sport's governing body, said the men's outfits, "do not comply with the FIVB uniforms standards for international competitions. The shirts are too loose and do not fit the body." (Reuters)

Australia Debates: Should Girls Box?

The Associated Press

GOLD COAST, Australia — Zowie Norford, age 11, took about 45 seconds to defend her Australian Amateur Boxing League title on Tuesday. But it will take the controversy surrounding her appearance in the ring longer to die down.

The schoolgirl from Ipswich, Queensland, danced and threw enough rights against 12-year-old Veronica Cameron of New South Wales to prompt the referee to stop the fight and award Norford her second Australian sub-junior 39-kilogram (86-pound) title.

But whether she will be able to continue in the family sport in Queensland, let alone Australia, is in doubt. Prompted by the Australian Medical Association and Health Minister Wendy Edmund, the premier of Queensland, Peter Beattie, said Monday that his government would consider a ban on boxing for those under the age of 18. The state of New South Wales has banned boxing for women, and the federal government is considering a ban.

"I should be able to fight," Norford said. "It keeps me fit." She has been boxing for two years. Seven of her uncles have been boxers.

The ABL is the only amateur group in Australia which allows female boxing after breaking away from the Amateur Boxing Union of Australia 12 years ago. The ABLA refuses to allow women or girls to fight.



Jean Currie, left, and Tiara Kelly preparing to fight. Australian doctors have called for a ban on girls' boxing.

Hooligan Threat Overshadows German-Dutch Match

International Herald Tribune

GELESENKIRCHEN, Germany — The long, dark nights of winter, and the darker elements that soccer for all its glory attracts, are inescapably back with us.

Winter in Gelsenkirchen, on the industrial banks of the Ruhr, can be as bleak as anywhere in Europe, and when those old foes, Germany and the Netherlands, come to play a "friendly" on Wednesday night in the neglected Parkstadion, they bring with them inevitable foreboding.

Friendly competition does not exist between these neighbors and hasn't since World War II. That is why, for a match on which nothing rides but pride, the security forces are mobilizing 1,000 men, some of them specially trained Dutch troops, to keep the peace between 37,000 German ticket holders and 8,000 Dutch.

"We assume that violence-prone fans will come to Gelsenkirchen," said Ulrich Grzella, the officer in charge. "We hope there will be no escalation."

His forces will be out in the cold, where the chill wind seeps into the hardest of people and where snow flurries started Tuesday. Courts have been convened to mete out immediate justice.

Germany is right to be on its guard. The Lens policeman kicked senseless by German thugs at the World Cup last June, the UEFA official hospitalized by a firecracker

European Soccer/ROB HUGHES

in Salerno last month, the terrifying outbreaks of violence in southern Poland and, not least, the inflamed attitudes of Dutch and German hooligans whenever soccer brings them together demand vigilance.

It is a year since a young Dutchman was killed "by appointment" when fanatics attaching themselves to the rival clubs Ajax and Feyenoord arranged a meeting by mobile phone on neutral ground. Their mission was to fight, and one died.

UEFA has rightly, perhaps even leniently, banned Wisla Krakow from European competition for a year after a kitchen knife, thrown by one of its supporters, struck Dino Baggio, a Parma player, in the head.

Fortunately, he was not blinded or killed. No one really knows what possesses a young man to carry a deadly weapon into a place presumed to be for family entertainment and then to hurl it with criminal recklessness at a player. Why? Bitterness over soccer stars earning so much money? Subhuman aggression?

We have tried for decades to fathom the deadly violence in soccer stadiums, but military style policing — such as that which is turning the Parkstadion here into a police zone — brings only a lull before another outbreak of violence.

Anticipating it, as Gelsenkirchen police are trying to do, is only half

the battle. The criminals are cunning: they want bloodshed, and they rationalize nights such as Wednesday as their moment to do their duty and settle old wars.

England bears a terrible onus, and has paid terrible prices, for breeding soccer hooliganism. It has built sporting palaces — as indeed Gelsenkirchen is about to do with a 385 million Deutsche mark (\$232 million) stadium due to open in 2001 — and included closed-circuit television surveillance that in a truly civilized environment would constitute an affront to public rights.

Yet warnings count for little. The Polish police apprehended the knife thrower, but two weeks later three policemen were hurt and a 21-year-old fan was shot by a policeman who was defending himself against an assault with stones and baseball bats.

Meanwhile, in the Parkstadion, an ugly throwback to uninviting stadiums of old, the game itself between the Germans and the Dutch pits old against new. Germany's power in soccer has withered and it is hard to see how the witch-hunt removed Bert Vogts as trainer and put in his stead a 61-year-old retired coach will turn things around.

I admire longevity and respect experience. But not as much as Erich Ribbeck, the "new" hunde trainer does. His way of stabilizing

Germany is to bring back Lothar Matthaus, who at 37 is two years older than Frank Rijkaard, the Dutch national team coach.

Ribbeck has also persuaded Andreas Moller, 31, to try out his erratic skills in the playmaking role. So at the heart of defense and in the creative center, Ribbeck bows to a lack of youth. He is not alone. Across the Ruhr, Borussia Dortmund, Moller's club, has rehired Julio Cesar, a 35-year-old Brazilian.

Cesar had decided that his European days were over and had gone back home to the sunshine. But his pay check from Borussia was not forthcoming and, symbolizing the bankrupt state of German club soccer, Dortmund has offered him a pay-as-you-play return. So, Cesar, "his come to this!"

Julio Cesar blocks the development of a German libero. Matthaus collects his 130th cap and does the same. Moller makes a reluctant return to the national team because his coach can think of no one else, one younger, to lace Germany's attack with flair.

There is bickering (now there's a surprise) in Germany's camp over the system, the style and the personnel. Ribbeck has no option but to take the criticism and to point out that German style has endured longer than any other.

A man young enough to be his son is fashioning the Dutch team. Rijkaard sipped playing at 31, choosing to leave fans with memories of his prime. He comes into coaching with a fresh eye — some say an untutored one given that he never apprenticed to the job.

While Ribbeck selects cautiously, Rijkaard, in his third march as a coach, pitches Ruud van Nistelrooij, a young striker with just one season of top-level play behind him, into the "shadow" position that Dennis Bergkamp usually occupies behind Patrick Kluivert. Nistelrooij, last season of Heerenveen, now of PSV Eindhoven, is in effect being told: "There are the Germans, son, the champions of our continent; go and score against them."

Nistelrooij versus Matthaus. Hope against experience. Youth against age. It will be interesting.

Rob Hughes is chief sports writer of The Times of London.

Clubs Approve UEFA's Plan

Fourteen of Europe's leading clubs approved Tuesday UEFA's proposal for a "32-team European Champions League" to start next season. Members reported from Madrid.

The clubs, meeting in a Madrid casino, then warned UEFA, the governing body of European soccer, that they want a larger share of the revenues from the competition. The clubs set up a committee led by Lorenzo Sanz of Real Madrid and containing representatives from AC Milan, Bayern Munich, Olympique Marseille and Porto to negotiate.

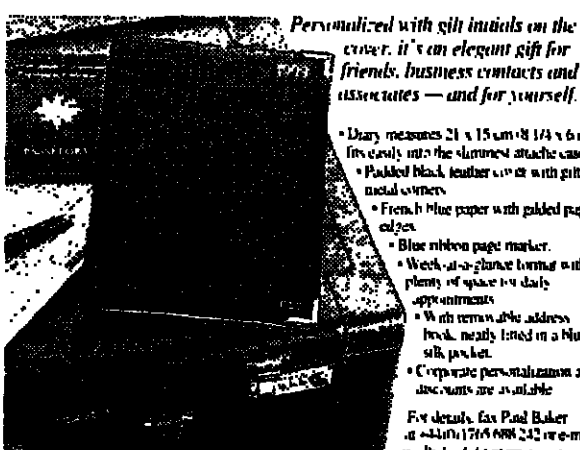
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Blind New Zealand players claiming a wicket Tuesday.

In This Cup, the Crack of the Bat Counts

Agence France-Presse

NEW DELHI — The first World Cup cricket for the visually impaired opened Tuesday in New Delhi with the rattle of plastic balls, noisy action on the field and underarm bowling.

The players, attired in colorful clothing, displayed the same fiery competitive spirit and appetite for theatrical appeals to the umpires as the game's international stars.

Teams from seven elite cricket-playing nations — England, Australia, New Zealand, South Africa, India, Pakistan and Sri Lanka — are taking part in the 10-day event, the first international tournament of its kind.

Not all the players are blind. Rules allow teams to field three players who are partly blind, or with 20 percent vision, and four partly sighted, or with 40 percent vision, along with four who are blind.

The only concession afforded to the blind is that they can use the help of runners while batting. But blind players are required to bowl at least 16 of the

team's allotted 40 overs in each match. Batsmen and fielders rely wholly on the noise from pebble-filled plastic balls, but that does not hinder fluent strokes and spectacular catches.

"I know it's a boundary the moment the ball strikes the middle of my bat," said Chris Backstroog of Australia, a partly blind batsman who scored a half-century in the opening match against New Zealand. He compared himself to two stars of the Australian national team.

"I've heard guys like Mark Waugh and Ricky Ponting say the same thing, so I must not be a bad player at all."

Novel tactics are part of the game. The New Zealanders posted three blind players side-by-side to form a barricade at the position known as the silly point, because it is so close to the batsman that fielders who stand there are considered foolish.

"It's a master stroke," a supporter said. "These players may not be as effective in the deep. Here they form a wall to stop strokes."

The three players are protected by helmets and chest and abdomen guards, although serious injury is ruled out since the balls weigh only 3.5 ounces (100 grams). The normal cricket ball weighs 5.5 ounces.

The rules are the same, except that the bowler asks the batsman "ready?" and bowls underarm only after the batsman has replied "yes."

The difference between blind players and players who can see becomes evident when the game halts suddenly as a roadside band strikes up popular Indian film music at a marriage ceremony outside the field — and none of the players can hear the sound of the ball.

Anil Kurble, a test batsman from India, said it must be frustrating to play a lovely shot and not be able to see the result.

"Most batsmen I know love to watch the ball racing to the boundary and then see television replays," he said.

Each team plays the other once in the round-robin league, with the top four advancing to the semifinals.

SCOREBOARD

ICE HOCKEY

NHL Standings

EASTERN CONFERENCE

ATLANTIC DIVISION

	W	L	T	Pts	GF	GA
New Jersey	9	6	2	20	35	35
Pittsburgh	7	4	18	42	38	38
N.Y. Islanders	8	9	0	16	43	43
Philadelphia	6	6	16	41	36	36
N.Y. Rangers	4	7	5	13	28	43

NORTHEAST DIVISION

	W	L	T	Pts	GF	GA
Toronto	9	6	2	20	36	50
Boston	7	7	3	18	40	32
Florida	6	7	4	16	40	26
Ottawa	6	7	3	15	43	43
Montreal	4	8	2	14	35	44

SOUTHERN DIVISION

	W	L	T	Pts	GF	GA
Carolina	7	7	3	17	43	41
Florida	6	6	3	15	33	41
Atlanta	6	6	3	15	40	40
Washington	5	7	3	13	40	41

WESTERN CONFERENCE

CENTRAL DIVISION

	W	L	T	Pts	GF	GA
St. Louis	7	4	18	42	35	35
Detroit	8	8	0	16	42	42
Nashville	6	8	1	13	36	42
Chicago	4	10	3	11	36	62

NORTHWEST DIVISION

	W	L	T	Pts	GF	GA
Edmonton	9	6	1	19	33	39
Vancouver	8	7	1	17	30	41
Calgary	7	8	2	16	47	47
Colorado	6	8	2	14	43	37

PACIFIC DIVISION

	W	L	T	Pts	GF	GA
Dallas	9	2	2	20	37	17
Phoenix	8	2	2	18	34	17
Anaheim	6	6	4	16	37	37
San Jose	5	10	3	13	30	37
Los Angeles	3	10	3	9	26	37

MONTHLY RESULTS

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
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NATIONAL CONFERENCE										
LAST										
W	L	T	Pct.	PF	PA	W	L	T	Pct.	
Dallas	7	3	0	29	149	Atlanta	5	5	0	10
San Jose	5	5	0	100	182	San Jose	5	5	0	10
LA, Giants	3	7	0	300	169	23	1	0	100	
Philadelphia	4	6	0	300	95	23	1	0	100	
Washington	2	8	0	200	169	23	1	0	100	
CENTRAL										
Minnesota	9	1	0	300	320	170				
Green Bay	7	3	0	200	220	170				
Chicago	6	4	0	160	167	195				
St. Louis	5	5	0	147	224					
Denver	3	7	0	100	197	222				
WEST										
Atlanta	8	2	0	200	284	195				
San Francisco	7	3	0	200	292	217				
New Orleans	5	5	0	136	209					
Los Angeles	3	7	0	300	177	240				
Carolina	1	9	0	100	191	284				
MONDAY REGULAR										
Denver 30, Kansas City 7										
BASKETBALL										
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BASKETBALL									
MAJOR COLLEGE SCORES									
Nov. 17, Rutgers 61, Wake Forest 51									
Nov. 18, Duke 74, Wake Forest 74									
Nov. 18, Virginia Tech 76, Wake Forest 76									
Nov. 18, Virginia Tech 76, Wake Forest 76									
Nov. 18, Virginia Tech 76, Wake Forest 76									

SOCCER									
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OBSERVER

Decline and Fall

By Russell Baker

NEW YORK — On hearing that Newt had fallen, I immediately ran to my Roman history books.

Newt's Republican warriors, according to the great engines of media baloney, had risen up suddenly and savagely against him. A mighty blow being swiftly struck by men he thought the dearest of comrades. Newt was fallen.

"Cannibals!" he had cried in the desperate instant when he realized his end had come.

I knew I'd read this story somewhere years ago. Something about some great man's old soldier buddies carrying his severed head around on a spear point. It had to be a Roman tale. Declining-and-falling Roman.

I opened Gibbon's "Decline and Fall of the Roman Empire" to revisit Rome on the downhill slope. Newt's story was everywhere.

It was the story of Alexander Severus, a young emperor like Newt. Alexander's predecessor, Elagabalus, was so corrupt that the army, which really ran the empire, murdered the disgusting lout, says Gibbon.

Needing an emperor fast, the Roman soldiers quickly installed Alexander. Like young Newt coming unexpectedly to power in the House after routing the old Democratic regime, young Emperor Alexander was destined to learn that glory can be short-lived in a declining empire.

The Roman soldiers — a nasty and corrupt bunch at this stage of history — were disappointed by Alexander's inability to sweeten their existence, so had him killed, possibly by his own guards as

he slept, though Gibbon is inclined to think he was given a hearing of some sort and showed a deplorable lack of Ciceronian character. . . . unavailing cries and entreaties disgraced the last moments of his life," writes Gibbon, "and converted into contempt some portion of the just pity which his innocence and misfortune must inspire."

Gibbon would have approved of Newt's behavior on learning that his hour had come. After that first startled outburst about "cannibals," he did not invite posterity's contempt by disgracing his last moments with unavailing cries and entreaties.

Instead, while cameras looked on, he flung himself into warm and smiling embrace with Congressman Livingston, the good friend whom Newt had made chairman of a vital House committee and was now revealed as the author of his ruin.

I'm reading on in Gibbon. Rome's military emperors made Alexander so they can give the emperors to one of their favorite generals, a Thracian peasant named Maximin. Soon, however, Maximin's capital is exhausted. He is behaving badly toward women and children, not to mention politicians and the media.

Worse, the soldiers feel Maximin is making them work and fight under hard conditions. And so Maximin, "abandoned by his guards, was slain in his tent with his son and chief aides."

"The sight of their heads, borne on the point of spears," says Gibbon, convinced Romans that happy days were there again. They weren't. Good night, Newt.

New York Times Service

By Jamie James

New York Times Service

HANOI — The Orpheus Chamber Orchestra, a conductorless ensemble from New York, performed before sold-out audiences last weekend at the newly refurbished Hanoi Opera House. It was the first American orchestra to play in this country since the Vietnam War ended in 1975.

The concert on Saturday was a high point of the social season in Hanoi, like opening night at the Metropolitan Opera with bottled water instead of champagne. The opera house, a scaled-down version of the Palais Garnier in Paris, built by the French colonial administration at the turn of the century, was splendidly refurbished last year by the Vietnamese government. Its facade was brilliantly lit as the audience arrived, turned out in its fanciest Western-style clothes.

The most compelling proof of the event's symbolic significance was the presence of General Vo Nguyen Giap, who led the Vietnamese Army to victories over both France and the U.S.-backed regime in Saigon. When Giap arrived wearing a faded, humble blue suit of the Ho Chi Minh era, audience members in the lobby bowed and softly applauded.

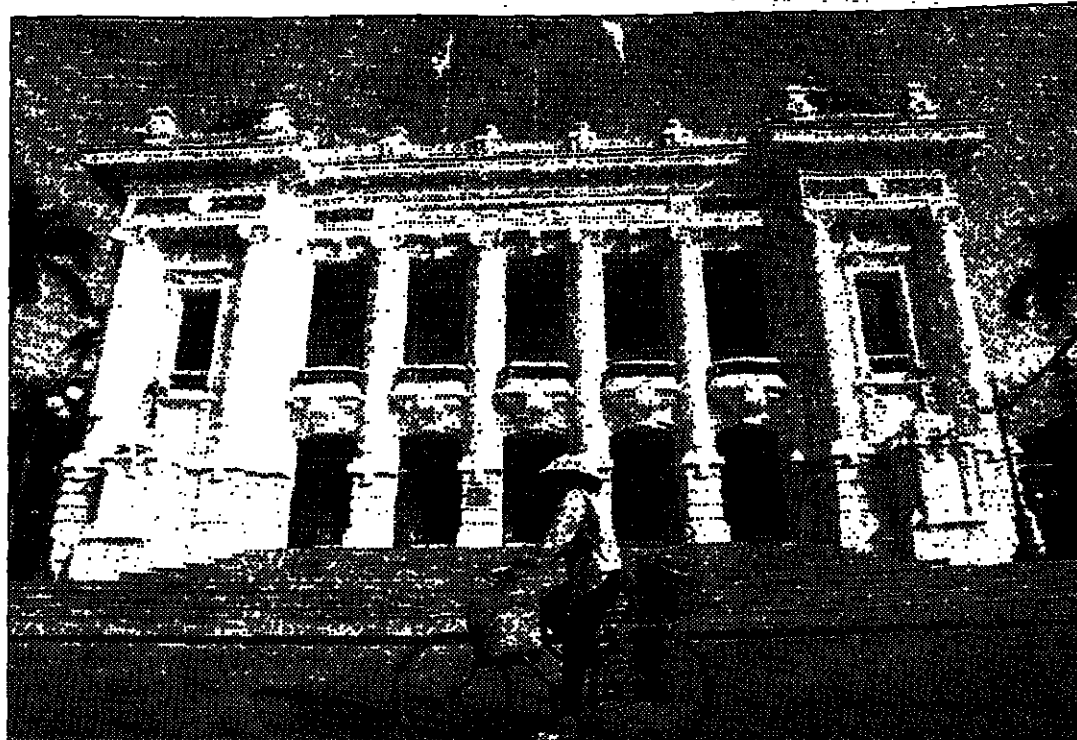
The program comprised selections from Beethoven's ballet, "The Creatures of Prometheus"; Haydn's Sinfonia Concertante; Barber's Adagio for Strings and Prokofiev's "Classical" Symphony. The Barber was well known to the audience from the sound track of "Platoon," since Hollywood films about the war are among the most popular titles on Vietnam's pirated-video market. But Julian Fifer, the founder and president of Orpheus, said the piece had been selected before Hanoi was added to the tour itinerary, because of a perceived need to include an American work that would not be too challenging for audiences in Southeast Asia.

It is perhaps fitting that the first American orchestra to perform in the Socialist Republic of Vietnam, one of the world's last remaining outposts of communism, should be Orpheus. The ensemble operates as a collective, its musicians sharing equally in running its programs.

The players arrived just after Veterans Day had been celebrated in the United States, on Nov. 11. It was a particularly emotional experience for Fifer, who called it "the realization of a lifelong dream."

As an undergraduate at Columbia University in the early '70s, Fifer was a leading member of the student anti-war movement. Before organizing Orpheus, in 1972, he formed a group called Music for Peace, which performed chamber music at the fountain in Lincoln Center Plaza to raise money for the cause and handed out anti-war pamphlets.

"The orchestra and I are thrilled to be here," he said, "to communicate directly through music making, the best bridge that can be built



The refurbished opera house in Hanoi, inspired by the Palais Garnier in Paris.

and the best statement we can make about our common humanity."

Saturday's concert and one on Sunday were the centerpiece of Orpheus's eight-country tour of Southeast Asia; the group was moving on next to a performance in Kuala Lumpur.

The Vietnamese welcomed the orchestra effusively. The demand for tickets was great, so much so, said Bui Gia Tuong, a cellist who studied with Mstislav Rostropovich at the Moscow Conservatory, that it would have taken half a dozen concerts in the 700-seat opera house to accommodate everyone who wanted to attend. The tickets cost as much as \$30 each, an amount far out of the reach of most people here. The orchestra therefore invited the students and faculty of the Hanoi National Conservatory of Music to a rehearsal last Saturday morning.

Orpheus may be conductorless, but it is far from leaderless: In theory, each of the 26 members of this musical collective is a leader, free to critique the other players and help shape the overall interpretation. As a result, rehearsals sometimes devolve into musical brawls.

"I don't know how we've got this far," said David Singer, a clarinetist who has performed with Orpheus since 1977. "In rehearsals, we all have this fantasy that we can say something that will make a difference. It's crazy. Sometimes it's like the Knesset, everybody hollering at the same time. We've had chairs thrown."

The rehearsal on Saturday was a sedate affair by Orpheus standards, perhaps because of the audience, which nearly filled the opera house. The session began with a run-through of the Haydn Sinfonia Concertante in B flat, and at the end

of the first movement, the audience, heedless of etiquette, burst into excited applause.

As the players thrashed out fine points in the score, the musicians in attendance rapidly witnessed a process that could in no way have resembled the orthodox rehearsals they were accustomed to at the conservatory. Four hours later, most of them were still there for a question-and-answer session.

Some seemed befuddled as to how the orchestra could exist without an authoritarian artistic leader. But when a young woman said, "After hearing you play, I am a little concerned about the future of conductors," laughter and applause rippled through the house.

Orpheus performed the Haydn work with elegance and wit, but the Beethoven ballet sounded small, because of the hall's dry, distant acoustics.

The audience reacted warmly if a bit tentatively, seeming not quite sure of itself. Musicians from the conservatory who were in attendance, however, offered unrestrained praise.

"It's amazing that they can play together so well without a conductor," said Kim Xuan Hieu, a horn player and first-year instructor. "They play like a family."

The audience responded with increasing enthusiasm as the evening wore on, rising to a whooping ovation for the first encore, the Overture to Rossini's "Barbiere di Siviglia."

At the end, a slim young woman dressed in a hot pink ao dai, the snug-fitting shift suit that is the national costume of Vietnamese women is called, went onstage to present a huge bouquet of flowers — to whom?

She stood at the center of the semicircle, where a podium might have been but wasn't, flustered and blushing as brightly as her dress, until Eric Wyrick, the concertmaster, graciously took the flowers off her hands. As the audience cheered, she bowed low and beat a hasty retreat.

PEOPLE

HAS the Worm tied the knot or not? The basketball bad boy Dennis Rodman married Carmen Electra, an actress in the television show "Baywatch," at a chapel in Las Vegas over the weekend, according to Rodman's agent, Dwight Manley. County records confirm that the couple picked up a marriage license Saturday, but chapel officials declined to comment. Manley said the Chicago Bulls star was intoxicated and was taken advantage of by Electra and people he called "leeches." He added: "From what I can determine, it's not legal. It sounds like he was deeply intoxicated. Obviously anyone that would marry somebody that was intoxicated to the point that they couldn't speak or stand had ulterior motives of some sort." Rodman and Electra were not available to comment.

John and Caroline Kennedy have accused Barbara Streisand's brother of cheating them out of half their interest in a 20-year-old real-estate trust established by their mother. The allegations

against Sheldon Streisand came to light in court papers he filed to block arbitration the Kennedys requested concerning his handling of the trust's money. The trust was established in June 1978 by Jacqueline Kennedy Onassis and owns 99 percent of a real estate investment partnership called Western Properties Associates Three. The Kennedys contend that Streisand sold 50 percent of Western to his wife for the

"bargain price" of \$500,000, "diluting [the Kennedys'] 20-year-long interest in the partnership from 99 percent to 49 percent." The Kennedys asked that Streisand and his company be ousted as general partners and replaced with partners chosen by them.

Senator Alfonse D'Amato has been dumped again, the Daily News in New

York says. Hilary Geary has broken off her two-year romance with D'Amato, who lost his re-election bid this month, the newspaper quoted unidentified friends as saying. D'Amato and Geary were rumormongered about their parting, and his office had no comment Monday. Insiders said the Republican's tough campaign against Charles Schumer may have strained the relationship.



BLOND AND BLONDER — Drew Barrymore, right, with the singer Courtney Love at the premiere of Barrymore's new movie "Home Fries," a "romantic comedy," during a screening in Los Angeles.

Library of Congress Goes to the Movies

The Associated Press

LOS ANGELES — The 1935 horror classic "The Bride of Frankenstein" and the original 1925 silent version of "The Phantom of the Opera" have been honored by the Library of Congress for their contributions to American cultural history.

The movies were among the 25 added to the library's National Film Registry. Now at 250 films, the registry was created by Congress in 1988 to celebrate American cinema and to call attention to the need to preserve films.

Also added this year were the little 1928 animated film "Steamboat Willie" that helped build the Disney giant, the 1967 Bob Dylan documentary "Don't Look Back," the 1931 James Cagney gangster film "The Public Enemy" and the 1971 coming-of-age-in-Texas story "The Last Picture Show."



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